

**2023 - 2024**

**FRANCHISE  
DISCLOSURE DOCUMENT**

**FOR**





## FRANCHISE DISCLOSURE DOCUMENT

### DL FRANCHISE GROUP LLC

a California limited liability company  
724 S. Spring Street, #800  
Los Angeles, California 90014  
Phone: (213) 300-3801  
[www.thedollyllamaus.com](http://www.thedollyllamaus.com)  
[info@thedollyllamaus.com](mailto:info@thedollyllamaus.com)

DL FRANCHISE GROUP LLC (“DLFG”) offers franchises for the operation of a dessert shop specializing in freshly prepared artisan waffles paired with ice cream and a variety of toppings and sauces, signature milkshakes and other beverages, designed by DLFG under the trade name The Dolly Llama.

The total investment necessary to begin operation of a Single Unit Dolly Llama Outlet is between \$161,652 and \$472,942. This includes between \$55,000 and \$65,000 that must be paid to the franchisor or its affiliate(s).

Under the Area Development Program, we will assign you a defined area within which you must develop and operate multiple Dolly Llama Shops within a specified period of time. The number and type of Dolly Llama Shops that you will develop will be determined on a case-by-case basis before you sign your Area Development Agreement. We currently offer development packages of 2, 4, or 6 Dolly Llama Shops. The Development Fees will be credited toward your Initial Franchise Fees. The total investment necessary to begin operations of 2 to 6 Dolly Llama Shops under an Area Development Agreement ranges from \$171,652 to \$502,942. This includes between \$65,000 to \$95,000 that must be paid to us or our Affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive the disclosure document at least 14 calendar days before you sign a binding agreement with or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Eric Shomof, at 724 S. Spring Street, #800 Los Angeles, California 90014; and (213) 300-3801.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: June 15, 2023

## How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only The Dolly Llama business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a The Dolly Llama franchisee?</b>	Item 20 lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising *Generally*

**Continuing responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.

**Business model can change.** The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

**Supplier restrictions.** You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions.** The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

**Competition from franchisor.** Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal.** Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

**When your franchise ends.** The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

### Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit C.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

## Special Risks to Consider About *This Franchise*

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation then arbitration only in California. Out-of-state mediation or arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to mediate and/or arbitrate with the franchisor in California than in your own state.
2. **Spousal Liability.** Your spouse may be required to sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.
4. **Short Operating History.** This Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise with a longer operating history.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

## NOTICE REQUIRED BY THE STATE OF MICHIGAN

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.**

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings, personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logo type, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to: (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards. (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor. (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations. (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the Franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

**IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN \$100,000.00, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT, INVENTORY, TRAINING, OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED. AT THE OPTION OF THE FRANCHISOR, A SURETY BOND MAY BE PROVIDED IN PLACE OF ESCROW.**

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
Consumer Protection Division  
Attn: Franchise Unit  
G. Mennen Williams Building  
525 W. Ottawa Street  
P.O. Box 30212  
Lansing, Michigan 48909  
Telephone Number: (517) 335-7622

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## **ITEM 1**

### **THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

To simplify the language in this Franchise Disclosure Document, “we”, “us”, “our”, “The Dolly Llama” or “DLFG” means DL FRANCHISE GROUP LLC, the Franchisor. “You” means the entity that buys the franchise, i.e., the “Franchisee”. The principal owners of the Franchisee must personally guarantee and be personally bound by the Franchisee’s obligations under the Franchise Agreement and the other agreements described in this Disclosure Document. To fully understand all of your and our respective rights and obligations, you must still carefully review the actual agreements you must execute. These agreements will control if there is any dispute between us.

#### **The Franchisor, any Parents, Predecessors and Affiliates:**

DL FRANCHISE GROUP LLC was formed under the laws of California on September 17, 2018. DLFG does not do business under any other name. Our principal business address is 724 S. Spring Street, #800, Los Angeles, California, 90014. DLFG’s agent for service of process is disclosed in Exhibit C to this Franchise Disclosure Document. DLFG has never sold any other franchise and has no business other than offering franchises and assisting franchisees. We do not currently own or operate any The Dolly Llama. We have been offering Franchises for sale since April 2020.

DL FRANCHISE GROUP LLC has no predecessors or parent companies.

DLFG has two (2) affiliates. The first affiliate, The Jolly Llama, LLC, is a California limited liability company that was incorporated on October 9, 2017. This affiliate operates three (3) The Dolly Llama Outlets of the type being offered under this Disclosure Document and are the models on which this Franchise offering is based. The first Outlet is located at 724 S. Spring Street, #800, Los Angeles, California 90014, which opened for business on January 1, 2018; The second Outlet operates at 273 S. Western Avenue, Los Angeles, California 90004, which opened for business on May 27, 2018; and the third Outlet which operates from 14545 Ventura Boulevard, Sherman Oaks, California 91403, which opened for business on July 13, 2019. You are not required to make any purchases from this affiliate. Our second affiliate is TDL Logistics LLC, which is a California limited liability company that was incorporated on November 8, 2019. The affiliate is the only approved supplier for waffle batter pre-mix, frozen waffles, and logoed merchandise that you must purchase for your The Dolly Llama Shop.

#### **Description of the Franchise**

We offer franchises for the operation of an Outlet providing the opportunity for operation of a dessert shop specializing in freshly prepared artisan waffles paired with ice cream and a variety of toppings and sauces, signature milkshakes and other beverages under the DLFG trademarks, trade names, service marks, and logos (“Marks”). The franchise is operated under a business format in accordance with a unique system, including our valuable know how, information, trade secrets, methods, Manual, standards, designs, methods of trademark usage, copyrightable works, sources and specifications, software, confidential electronic and other communications, methods of Internet usage, marketing programs, and research and development connected with the operation and promotion of the Business (collectively, the “System”) owned and developed by us and known as The Dolly Llama (“Business”). We are designed to support you in your ongoing business efforts. We reserve the right

to change or otherwise modify the System and add, modify, or delete any of our designs, processes, or services at any time in our sole discretion.

You may be required to participate in marketing programs in which we may promote our services. You must also be part of the Dolly Llama Loyalty Program, which is operated through the Dolly Llama App, as well as pay our affiliate, TDL Logistics LLC, a monthly service fee which will provide smart marketing and online order through our app.

Single Unit Franchise Program. If we approve you as a franchisee, you will sign a Franchise Agreement, in the form attached as Exhibit B to operate a single The Dolly Llama Outlet. You must operate your Outlet in agreement with our standard business operating practices and sign our standard franchise agreement (“Franchise Agreement”) which is attached to this Disclosure Document as Exhibit B.

Area Development Program (also “ADA”). Under the Area Development Program, you and we agree on the option to acquire additional Units at a reduced Franchise Fee. We offer development programs in which you purchase 2, 4 or 6 The Dolly Llama Units (“ADA Units”) in which you must agree to open and operate within a specified period of time (Attachment A to the ADA Development Schedule). The specific number of ADA Units awarded will be mutually agreed upon by you and us. If you elect to participate in and are approved for this program, you will execute a Area Development Agreement (the “AD Agreement”) in the form attached as Exhibit F, of which Attachment A will describe the general area within which you will locate each additional Unit you agree to purchase, the ADA Schedule and the Initial and discounted Franchise Fee for each Unit. For each ADA Unit, you must sign a separate Franchise Agreement according to the Development Schedule which may differ materially from the current Franchise Agreement included with this FDD. We will determine or approve the location of each ADA unit and any territories for those units, and our then-current standards for sites and territories will apply. In no event will you sign a Franchise Agreement for any ADA Unit until we have complied with any applicable waiting periods prescribed by law, and in no event will you be a franchisee entitled to operate an ADA Unit as a The Dolly Llama unit until we sign the Franchise Agreement for that particular Unit. You will sign a Franchise Agreement for your first ADA Unit (the Initial Franchise) at the same time you sign the AD Agreement. You will also pay your ADA Fees for all locations you agree to open at the same time you sign the Initial Franchise Agreement and the AD Agreement. You must operate your Outlets in agreement with our standard business operating practices and sign our standard franchise agreement (“Franchise Agreement”) which is attached to this Disclosure Document as Exhibit B for each Unit you agree to open, and our standard Area development agreement (“Area Development Agreement”) which is attached to this Disclosure Document as Exhibit F.

## **The Market and Competition**

The franchise targets its services to the general public. You may have to compete with other businesses including franchised operations, national chains, and independently owned companies offering similar services to customers. The market for a centralized artisan dessert shop business is well developed and highly competitive. You will also face other normal business risks that could have an adverse effect on your Franchise. These may include industry developments, such as pricing policies of competitors, and supply and demand.

## Regulations

As a franchisee, you may be subject to general business, employment and other laws and regulations. You should consult with your attorney and local, state and federal government agencies before buying your DLFG Franchise to determine all legal requirements and consider their effects on you and cost of compliance. It is your sole responsibility to investigate, satisfy and remain in compliance with all local, state and federal laws, since they vary from place to place and can change over time.

Federal, state and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of you're the Dolly Llama Shop, including those which (a) establish general standards, specifications and requirements for the construction, design and maintenance of The Dolly Llama Shop premises; (b) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for dessert shops; employee practices concerning the storage, handling, cooking and preparation of food; restrictions on smoking; availability of and requirements for public accommodations, including restrooms; (c) set standards pertaining to employee health and safety; (d) set standards and requirements for fire safety and general emergency preparedness, (e) govern the use of vending machines, (f) control the sale of alcoholic beverages; and (g) regulate the proper use, storage and disposal of waste, insecticides, and other hazardous materials. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your The Dolly Llama Shop and should consider both their effect and cost of compliance.

In addition, you must comply with all local, state, and federal laws that apply to you're the Dolly Llama Shop including health, sanitation, no smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. You must comply with all menu and menu board labeling laws and rules requiring restaurant to disclose certain calorie or other nutritional information about the foods they sell, including, for example, the FDA's rule titled Nutrition Labeling of Standard Menu Items in Restaurants and Similar Food Establishments. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled people and therefore may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. You must obtain all required real estate permits, licenses and operational licenses. California law requires each food facility that meets specified criteria (which cover franchised outlets with at least 19 other franchised outlets with the same name among certain other food facilities) to provide nutritional information that includes, per standard menu item, the total number of calories, grams of saturated fat, grams of trans fat, and milligrams of sodium and to have menu boards to include the total number of calories. Other states and cities may have laws similar to these laws.

The Nutrition Labeling and Education Act (NLEA) sets regulations for food labeling, including nutritional label standards, nutrient content claims, and health claims. NLEA applies to virtually all foods in the food supply, including food served and sold in dessert shops. While NLEA specifies a number of exemptions for restaurants, there are many instances where a nutritional label is required. The Food and Drug Administration's Nutritional Labeling Guide for Restaurants and Other Retail Establishments provides answers to commonly asked questions regarding the application of NLEA. Certain health care laws additionally contain provisions that require disclosure of nutrition and calorie information in chains of more than 20 locations.

The Payment Card Industry Data Security Standard ("PCI") requires that all companies that process, store, or transmit credit or debit card information maintain a secure environment. PCI applies to all organizations or merchants, regardless of size or number of transactions, that accepts, transmits or stores any cardholder data.

## **ITEM 2 BUSINESS EXPERIENCE**

### **Chief Executive Officer (CEO): Eric Shomof**

Eric Shomof has served as our Chief Executive Officer since our formation on September 17, 2018. Mr. Shomof has also served as manager of our Affiliate since October 9, 2017. Mr. Shomof operates from the corporate office in Los Angeles, California.

### **Chief Operating Officer (COO): Samuel Baroux**

Samuel Baroux has served as our Chief Operating Officer since our formation on September 17, 2018. Mr. Baroux has also served as manager of the Operating Affiliate since October 9, 2017. Mr. Baroux has also owned La Piazza since January 2012 in La Seyne sur-Mer, France and Hotel Rives D'or since 2014 in France. Mr. Baroux operates from the corporate office in Los Angeles California and La Seyne sur-Mer, France.

## **ITEM 3 LITIGATION**

No litigation is required to be disclosed in this Item.

## **ITEM 4 BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

## **ITEM 5 INITIAL FEES**

### **Single Unit**

**Franchise Agreement:** You must pay us an initial franchise fee of \$30,000 in a lump sum when you sign the franchise agreement (Exhibit B). The initial franchise fee is not refundable under any circumstances.

### **Area Development Agreement:**

If you desire to be a part of our Area Development Program (ADA), you must sign a Franchise Agreement and pay us the full Initial Franchise Fee of \$30,000 for the first The Dolly Llama Shop and agree to open 1, 3 or 5 additional The Dolly Llama Shops ("ADA Units") under the Area Development Schedule. The following Chart shows the respective Fees Due and application of Development Credits for 2, 4 and 6 Store packages:

Development Package	Initial Franchise Fee	Development Fee Due on Signing	Application of Development Fee Credit	Balance of Initial Franchise Owed
<b>2 Dolly Llama Shops</b>	Shop 1: \$30,000 Shop 2: \$20,000	\$40,000	Shop 1: \$30,000 Shop 2: \$10,000	Shop 1: None Shop 2: \$10,000
<b>4 Dolly Llama Shops</b>	Shop 1: \$30,000 Shop 2: \$20,000 Shop 3: \$ 5,000 Shop 4: \$ 5,000	\$40,000	Shop 1: \$30,000 Shop 2: \$10,000 Shop 3: None Shop 4: None	Shop 1: None Shop 2: \$10,000 Shop 3: \$ 5,000 Shop 4: \$ 5,000
<b>6 Dolly Llama Shops</b>	Shop 1: \$30,000 Shop 2: \$20,000 Shop 3: \$20,000 Shop 4: \$10,000 Shop 5: \$ 5,000 Shop 6: \$ 5,000	\$60,000	Shop 1: \$30,000 Shop 2: \$20,000 Shop 3: \$10,000 Shop 4: None Shop 5: None Shop 6: None	Shop 1: None Shop 2: None Shop 3: \$10,000 Shop 4: \$10,000 Shop 5: \$ 5,000 Shop 6: \$ 5,000

The Franchise Fees for each additional Shop are discounted as indicated in the chart above under “Initial Franchise Fee”. The portion of the Initial Franchise Fee for each additional Shop that is payable upon signing the ADA is under “Development Fee Due on Signing” The ADA Fee is credited toward the Initial Franchise Fee in the amount indicated under “Application of Development Fee Credit” and the remaining amount due for each subsequent Shop that is due upon signing that Franchise Agreement is under “Balance of Initial Franchise Owed. For example, if you agree to open 2 Shops under the ADA, you will pay the \$30,000 for the Initial Franchise and \$10,000 of the \$20,000 Franchise Fee for the second Shop at the same time you sign the AD Agreement. The \$10,000 ADA Fee for the second shop will be credited towards the Franchise Fee of \$20,000 when you sign the respective franchise agreement according to the ADA Schedule and as described below. If you agree to open 6 Shops under the ADA, you will pay the \$30,000 for the Initial Franchise plus a ADA Fee of \$20,000 for the 2<sup>nd</sup> Franchise and \$10,000 of the \$20,000 of the 3<sup>rd</sup> Franchise for a ADA Fee of \$30,000. The 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> Shops will not incur a ADA Fee but will incur a discount Franchise Fee payable upon signing the respective Franchise Agreement for each shop.

If you agree to develop multiple Shops, your first Shop must be open to serve the public on or before the end of the 12th month following the effective date of the first Franchise Agreement. Subsequent Shops must thereafter be opened on or before the end of each 12-month interval following the scheduled opening of the previous Shop. The then current Franchise Agreements for the subsequent Shops shall be executed and the respective balance of the Initial Franchise Fee paid to the Franchisor no later than the beginning of the 6<sup>th</sup> month prior to the scheduled opening period for the next Dolly Llama Shop.

**Other Initial Fees**

Initial Proprietary Purchases: Before you open your Dolly Llama Outlet for business, you must purchase certain items from our affiliate which includes: your initial inventory of our proprietary waffle batter pre-mix, frozen goods, logoed paper and plastic packaging and other merchandise. The cost of this package is between \$20,000 and \$25,000. You must also purchase the wall graphics for

your store at a cost of approximately \$5,000 to \$10,000. Our affiliate is the only approved supplier for these items. You will purchase these items from our affiliate, TDL Logistics LLC, for the duration of your Franchise Agreement.

You pay us or our affiliates no other fees or payments for services or goods before your Outlet opens.

**ITEM 6  
OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Royalty Fee (Note 2)	6% of Gross Sales	Due on the 5 <sup>th</sup> of each month for the previous month and deducted from your business bank account via EFT.	Required of all Franchisees. Royalty is to be paid monthly and will be collected electronically.
National Marketing Fund (Note 2)	1% of Gross Sales per week month	Due on the 5 <sup>th</sup> of each month for the previous month and deducted from your business bank account via EFT.	All franchised Outlets will be required to pay to us a contribution to the National Marketing Fund (“Fund”) not to exceed 3% of Gross Sales per month. Any locations under the control of our principals or affiliates are not required to participate in the NMF
Initial Training for Additional Persons or new or replacement employees (Note 3)	\$250 per person trained.	As incurred	The cost to train four (4) people is included in the initial franchise fee. If you request that we provide our initial training program to any additional employees, or to new or replacement employees during the term of your Franchise Agreement, you must pay our training fee as well as the additional trainees’ expenses, including travel, lodging, meals and wages.
Post Opening Additional Assistance at Your Franchise (Note 4).	\$3,500	As incurred	This Fee is for 1 person for a 2 day period and includes their travel and lodging expenses. You will incur this fee if we send a company representative to your Outlet beyond the Initial Grand Opening Training. This includes, but is not limited to: (i) the Opening Assistance Team remains at your Outlet for more than 3 days included with the Franchise Fee, or (ii) if you ask us to provide you with an Opening Assistance Team for any subsequent Outlets you purchase under an ADA, or (iii) if you request that we provide additional training at your Outlet for any reason, or (iv) if as the result of an inspection or quality assurance audit we believe that remedial training is necessary, you must pay our fee for each trainer we send to your Outlet, and you must reimburse each trainer’s expenses, including travel, lodging, meals and wages

Type of Fee	Amount	Due Date	Remarks
Initial and ongoing proprietary inventory purchases	\$20,000 to \$25,000 Initial Inventory. Ongoing purchases will vary based on current pricing.	As incurred	You may only purchase waffle batter premix, frozen goods, logoed paper and plastic packaging and certain other merchandise from our affiliate.
Graphics Package	\$5,000 to \$10,000 Initial Purchase	As incurred	You must purchase the wall graphics from our Affiliate prior to opening. You may be required to update these wall graphics as directed by us over the term of your Agreement. Costs to upgrade will vary.
Online Consumer Ordering App Fee	Currently, \$139 per month	Due on the 5th of each month, deducted from your Business bank account via EFT	Our affiliate, TDL Logistics LLC, will draft this Fee from your account monthly via EFT. Our affiliate will then pay this Fee to the vendor that created and maintains the APP
Consultation Fee	Currently \$500 per day	On demand	We may provide regular consultation and advice to you in response to your inquiries regarding administrative and operating issues. You must pay all transportation costs, food, lodging and similar costs that may be incurred by us to provide these.
Sanitation and Food Safety Audits	Cost of the inspection.	On demand	We may, in our sole discretion, contract with a third party to conduct sanitation and food safety audits during the term of your Franchise Agreement.
Insurance Management Fees	Reimbursement of our costs, plus 10% administrative fee	On demand	If you do not maintain the required insurance coverages, we have the right (but not the obligation) to obtain insurance on your behalf.
Relocation Fee	\$2,500 per occurrence	As incurred/Upon approval	Payable if you wish to relocate your Outlet.
Annual Conferences	\$500 per person	As incurred	If implemented, \$500 per person attending. You are responsible for additional expenses including travel, lodging, meals and wages for those who attend from your organization.
Transfer Fee - Single Unit (Note 5)	\$0 - 5,000.	Prior to acceptance of transfer	Payable before you sell your franchise.
Transfer Fee - ADA (Note 5)	\$5,000 for each unopened store.	With request for approval of transfer	Payable before you sell your franchise. No fee charged for a one-time transfer from individual(s) to a corporate entity formed for convenience of ownership of the franchise. In all other cases, the transfer fee will be \$5,000 per unopened store according to the ADA

Type of Fee	Amount	Due Date	Remarks
Audit	Cost of audit plus 1.5% interest per month on understatement or the maximum interest rate allowed by applicable law, whichever is less.	On Demand	We pay all audit costs unless the audit shows an understatement of at least 1% of Gross Sales for any month. or you have understated any amount you owe to us. You must also pay the understated amount plus interest. Also payable for failure to submit required reports.
Fees for Lost Manual	\$50	Upon ordering	You must replace any Manual that is lost, stolen or destroyed. The Manual remains our property.
Insufficient Funds Fees/Late Charge	\$200 per occurrence plus 1.5% interest	On demand, if incurred	Payable if there are insufficient funds in your account to pay fees due to us. If you incur three insufficient funds fees in any 12-month period, we have the right to terminate your Franchise Agreement. Other unpaid amounts due to Us will also incur this fee and will also accrue interest.
Interest	1.5% per month	30 days after due date	Franchisees must pay interest on late payments and/or Insufficient Funds in the amount of 1.5% per month, or the maximum interest rate allowed by applicable law, whichever is greater. Interest accrues from the original due date until paid in full.
Franchise Renewal Fee Single Unit	Currently \$5,000	30 days prior to renewal	Initial franchise term is 10 years. The renewal term is 10 years.
Liquidated Damages	Will vary under circumstances	Within 45 days of termination	If we terminate your Franchise Agreement for cause, you must pay us within 45 days after the effective date of termination liquidated damages equal to the average monthly Royalty Fees you paid or owed to us during the 12 months of operation preceding the effective date of termination multiplied by the number of months remaining in the Agreement had it not been terminated.
Costs and Attorneys' Fees	Will vary under circumstances, actual and reasonable costs	On demand	If you default under your agreement, you must reimburse us for the expenses we incur (such as attorneys' fees) in enforcing or terminating the agreement. We may also charge an Interim Management Fee – see below
Indemnification	Will vary under circumstances	On demand	You must reimburse us for the costs we incur if we are sued or held liable for claims that arise from your operation of the Outlet or for costs associated with defending claims that you used the Proprietary Marks in an unauthorized manner.

Type of Fee	Amount	Due Date	Remarks
Interim Management Fee	10% of Gross Sales plus expenses.	As incurred	If you commit an event of default under the Franchise Agreement, and we, in our sole discretion, elect to assume interim management of your Outlet(s) during the pendency of any cure period or in lieu of immediately terminating your Franchise Agreement, we may charge you a fee for management services. This fee also applies if we step in and manage your Outlet in certain circumstances, such as death, disability or prolonged absence. We will charge a management fee if we manage your Outlet, and you must reimburse our expenses
Reimbursement for Payments Made to Approved and/or Designated Suppliers	Varies	As incurred	If we receive notice from an Approved and/or Designated Supplier that you are over 60 days past due on any payment owed to that Supplier, and you have not previously provided notice to the Supplier disputing the overdue amount, we will have the right, but not the obligation, to make payment to the Supplier on your behalf and to reimburse our self for the amount we paid by electronic funds transfer from your bank account.
New Product and Supplier Testing	Actual cost of inspection and testing; \$1,000 must be paid as a deposit.	As incurred with the \$1,000 fee paid as a deposit before inspection	If you propose to purchase any goods or materials from a supplier that we have not previously approved, you must submit a written request to us for approval or you must request the supplier itself to do so. We have the right to require, as a condition of our approval, that our representatives are permitted to inspect the supplier's facilities, and that you deliver to us and/or to an independent, certified laboratory designated by us, all information, specifications and samples that we designate for testing. You must pay us a fee which will not to exceed the actual cost of the inspection and testing
Computer and Communications Equipment Upgrades and Maintenance	Varies, but usually no more than \$1,000 per year.	As incurred or as agreed	You must purchase upgrades and pay for maintenance for your computer and communications equipment, including upgrades for any required proprietary software, when we require you to do so.

Notes:

- 1) We or our affiliates impose all the fees in this table, you pay them to us or our affiliate, and we (or our affiliate) do not refund them. The fees and costs in this Item 6 are uniformly imposed.
- 2) "Gross Sales" means the total of all receipts derived from gross sales receipts, whether the receipts are evidenced by cash, credit, checks, services, property, or other means of exchange. Gross Sales excludes only sales tax receipts that you must by law collect from customers and that you actually pay to the government, promotional or discount coupons to the extent that Franchisee

realizes no revenue, and employee receipt of services, if free, or any portion not paid for by an employee.

3) Initial Classroom and 3 days of Grand Opening Training for you and your Manager and up to 2 additional persons (total of 4 persons) is included in the Initial Franchise Fee. Additional charges are only applied if you choose to train more than four people. Training fees can be increased or decreased by us at any time in our discretion.

4) Ongoing assistance by telephone is included. We will charge you the Additional Assistance fee only if you require additional assistance at your franchise. Fees for additional assistance can be increased or decreased by us at any time in our discretion.

5) Transfer Fees:

a) Single Unit No Transfer Fee is required if you transfer your Outlet to a corporation in which you are the majority stockholder, or if you transfer the Outlet to your child, parent, sibling, or spouse subject to any such individual being approved as a franchisee by us. You must pay a Transfer Fee of \$2,500 if you transfer the Outlet to another franchisee of ours. In all other cases, you must pay a Transfer Fee of \$5,000.

b) ADA Payable before you sell your franchise. No fee charged for a one-time transfer from individual(s) to a corporate entity formed for convenience of ownership of the franchise. In all other cases, the transfer fee will be \$5,000 per unopened store according to the ADA.

## ITEM 7 ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT – SINGLE UNIT FRANCHISE

Type of Expenditure	Amount (Low)	Amount (High)	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee (Note 1)	\$30,000	\$30,000	Lump sum	Upon signing of a Franchise Agreement	Us
Travel and Living Expenses (Note 2)	\$2,000	\$10,000	As incurred	During training	Airlines, Hotels, Restaurants, etc.
Rent or Real Estate (Note 3)	\$8,000	\$30,000	As determined by Lessor	Prior to opening	Lessor
Design and Architect Fees (Note 4)	\$5,000	\$15,000	As Arranged	Prior to opening	Architect/Design Firm
Leasehold, Contractor Improvements, Construction Costs (Note 5)	\$35,000	\$170,000	As determined by Vendors	Prior to opening or as arranged with Vendors	Vendors, Contractors
Equipment Furniture & Fixtures (Note 6)	\$20,000	\$50,000	As incurred	Prior to opening	Approved Suppliers
Interior and Exterior Signage (Note 7)	\$5,000	\$20,000	As incurred	Prior to opening	Approved Suppliers
Miscellaneous Opening Costs (Note 8)	\$2,000	\$5,000	As incurred	Prior to opening and during first three months	Suppliers, Utilities, etc.

Type of Expenditure	Amount (Low)	Amount (High)	Method of payment	When due	To whom payment is to be made
Business Licensing, Permits and Legal Fees (Note 9)	\$2,000	\$4,000	As determined by Insurance Company	Prior to opening or as arranged with Insurance Company/Agent	Attorneys Accountants, local and state jurisdictions
Proprietary Product Inventory (Note 10)	\$20,000	\$25,000	As incurred	Prior to Opening	Affiliate
Graphics pkg	\$5,000	\$10,000	As incurred	Prior to Opening	Us/Affiliate or approved vendor
Initial Inventory/Start Up Supplies (Note 11)	\$10,000	\$50,000	As incurred	Prior to opening	Approved and Designated Suppliers
Advertising/Marketing (3 months) (Note 12)	\$5,000	\$15,000	As incurred	Prior to opening and during first three months	Distribution Service and Media, Us
Insurance (3 months) (Note 13)	\$1,000	\$1,500	As determined by Insurance Company	Prior to opening or as arranged with Insurance Company/Agent	Insurance Company/Agent
Computer Equipment and Proprietary Software (Note 14)	\$1,652	\$2,442	As determined by Vendors	Prior to opening or as arranged with Vendors	Vendors
Additional Funds for Initial three (3) Months (Note 15)	\$10,000	\$35,000	As incurred	As incurred	Suppliers, Utilities
<b>TOTALS</b>	<b>\$161,652.00</b>	<b>\$472,942.00</b>			

Notes:

1) DLFG will approve or decline your application within 45 days of our receipt of your completed application. Your Franchise Fee will be due upon signing the Franchise Agreement and is fully earned upon payment. We will not refund the Initial Franchise Fee under any circumstances. Neither DLFG, nor any agent or affiliate finances any part of the initial investment. These payments are generally non-refundable.

2) These estimates include only your out-of-pocket costs associated with attending our initial training program, including travel, lodging, meals and applicable wages for up to four trainees. These amounts do not include any fees or expenses for training any other personnel, which will incur additional fees. Your costs may vary depending on your selection of lodging and dining facilities and mode and distance of transportation. Our training program lasts for approximately 3 days.

3) Rent/Real Estate: If you do not own adequate space, you must lease the space for your Outlet. Generally, this will include first and last months' rent, plus a security deposit. Typical franchises are commercial centers, strip centers or buildings on commercial streets with heavy traffic and malls with a minimum square footage of 1,200 and up to 2,000. The terms and conditions of all agreements relating to the purchase, lease, and alteration of the property will be negotiated solely by you; however, we require you to include certain lease provisions. The purchase of real estate may have additional legal expenses.

4) Design and Architect Fees: You must obtain construction plans for the build-out of your Outlet according to our specifications. We have the right to designate and/or approve of the designer and/or architect you use.

5) Leasehold, Contractor Improvements, Construction Costs: The cost of leasehold improvements will vary depending on many factors, including: (a) the size and configuration of the premises; (b) pre-construction costs (including demolition of existing walls and removal of existing improvements and fixtures); and (c) cost of materials and labor, which may vary based on geography and location or whether you must use union labor for the build-out of your Outlet. These amounts may vary substantially based on local conditions, including the availability and prices of labor and materials. These costs may also vary depending on whether certain of these costs will be incurred by the landlord or through landlord tenant improvement contributions, and the condition of the space before you take possession of the premises. The low end of our estimate assumes that you have leased space that previously operated as a restaurant and that you will convert to a The Dolly Llama. The high end of our estimate assumes that you have leased a “vanilla box” space and that more improvements are required. Our estimate does not include any tenant improvement allowance that you may negotiate.

6) Equipment Furniture and Fixtures: You will be required to purchase certain equipment and other items necessary for the operation of your Outlet. You may be required to purchase dining furniture and seating, counters, kitchen equipment, and other required items for the operation of your outlet. Specifications for these items will be provided in the Manual and may vary depending on the location selected. You are required to purchase specialized waffle makers from our only approved supplier, at a cost of \$3,000 per maker with a minimum purchase of five (5) makers.

7) Signage. These amounts represent your cost for interior and exterior signage. Your landlord or your local ordinances may have different restrictions it places on interior and exterior signage which may affect your costs.

8) Miscellaneous Opening Costs: Includes other deposits, utility costs, telephone, Internet and communications costs and incorporation fees.

9) Business Licensing Permits and Professional Fees: These are estimates of the costs for obtaining local business licenses which typically remain in effect for one year. These figures do not include occupancy and construction permits which are included in the leasehold improvements estimate. The cost of these permits and licenses will vary substantially depending on the location of the Outlet. We strongly recommend that you verify the cost for all licenses and permits required in your jurisdiction before signing the Franchise Agreement. This estimate also includes the cost for legal / professional / accounting fees.

10) Proprietary Product Purchase: Before you open your Outlet for business, you must purchase your initial inventory of our proprietary waffles including our batter pre-mix frozen waffles logoed paper and plastic packaging, as well as tee shirt uniforms and other merchandise. We estimate this will cost between \$20,000 and \$25,000. In addition, you will be required to purchase a graphics package which will include specific wall art for your Outlet. We estimate this will cost between \$5,000 and \$10,000. These items may only be purchased from our Affiliate.

11) You must purchase an initial inventory of store-opening materials. These items include, but are not limited to, food serving containers silverware, serving utensils, thermometers, cleaning supplies, knives and cutting boards, scale, can openers, strainers, mixing bowls, measuring cups, storage racks, trash cans, and uniforms. The cost for these items range from \$10,000 to \$50,000. Some of these items may only be purchased through designated suppliers (see Item 8).

12) Advertising Requirements for local and NMF: Franchisees will be required to spend a minimum amount on Local Marketing per month in addition to the contribution to the NMF. You will also be required to conduct a Grand Opening Marketing Campaign and spend between \$5,000 and \$10,000 beginning one month prior to opening and continuing for two months after opening. You must hire our approved PR company to conduct this Campaign.

13) You must maintain insurance policies in amounts as specified by us periodically in the Manual. Insurance coverage must include general liability, combined single limit, bodily injury and property damage insurance for premises operations, and all other occurrences against claims of any person, employee, customer, agent, or otherwise.

14) You will be required to purchase a POS system from our designated vendor which we estimate will cost between \$125.00 and \$250.00 per month. You will be responsible for paying any credit card transaction and processing fees. We also require that you use our Online Consumer Ordering App and that you pay our affiliate, TDL Logistics LLC, for this service (currently, the cost is \$139 per month). In addition, you will be required to install a music system (tablet) at an approximate equipment cost of \$80 to \$500 and a monthly music service fee of approximately \$10 to \$50 per month through our designated vendor. You may choose to obtain, but we do not require a desktop or laptop and basic accounting software. We estimate the cost to be between \$750 and \$1,000. We do not have any requirements for these items. We do not require that you use any specific vendors for your Internet and communications equipment. We do require that you meet certain minimum standards established periodically in the Manual. You may also choose to install a security system. Currently, we have no requirements for these items, and no preferred vendors. Your costs will vary depending on the systems you select, if any, and is not included in this estimate.

15) This estimates your initial startup expenses for an initial three-month period, not including payroll costs, and does not include any revenue generated by the operation of your Outlet. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting your Outlet. Your expenses will depend on factors such as: how much you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions (e.g., the local market for an artisan dessert business), the prevailing wage rate, competition and the sales level reached during the initial period.

We relied on our affiliate’s combined 8 years of experience in the artisan dessert business to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not provide financing arrangements for you. If you obtain financing from others to pay for some of the expenditures necessary to establish and operate the franchise, the cost of financing will depend on your creditworthiness, collateral, lending policies, financial condition of the lender, regulatory environment, and other factors.

**EXAMPLE OF YOUR ESTIMATED INITIAL INVESTMENT  
AREA DEVELOPMENT PROGRAM OF 2, 4 or 6 UNITS**

Type of Expenditure	2 to 6 Units Amount		Method of payment	When due	To whom payment is to be made
	Low	High			
Area Development Fee (Note 1)	\$40,000	\$60,000	Lump sum	Upon signing First Franchise Agreement and ADA	Us
Initial Investment for 1st Unit (Note 2)	\$131,652	\$4432,942,	As indicated in Item 7 chart above	As indicated in Item 7 chart above	As indicated in Item 7 chart above
<b>TOTALS (Note 3)</b>	<b>\$171,652</b>	<b>\$502,942</b>			

Notes:

1) The estimates in this Chart include the purchase of two (2), four (4) or six (6) units required for an Area Development Agreement. You must sign our ADA at the same time you sign the Initial Franchise Agreement for the first Franchise. You will pay the Initial Franchise Fee and the Development Fee indicated in the chart below upon signing the aforementioned agreements. We will credit the ADA Fee for each subsequent Unit you agree to open when you sign the Franchise Agreement for that Unit.

2) Area Developers will incur the expenses listed in the preceding Item 7 chart for each subsequent Unit purchased under an ADA. This estimate does not include the Franchise Fee.

3) The Total Estimated Initial Investment for the ADA includes the Development Fee you must pay at the time you enter into the ADA which includes the Initial Franchise Fee for the first unit and the Development Fees for each subsequent Unit you agree to develop and the estimated range of fees you will incur to open and operate your first Shop for a period of three (3) months.

## **ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

We require that you establish and operate your franchised Franchise in compliance with your Franchise Agreement. You must strictly follow our specifications as described in the operations manual we provide to you or other written materials from us (collectively, the “Manual”), which we may modify from time to time, and which may be in print or electronic format. We reserve the right to require you to use an electronic version of the Manual and to require you to access the document using the Internet or an intranet created and supported by us. Our standards and specifications have been prescribed in order to maintain a uniform standard of high quality, value, advertising support and availability to be furnished to the public in connection with our Marks. In operating the Franchise, all equipment, supplies and Outlet designs must conform to our standards and specifications, which have been established through years of experience. In the future, we may modify our Outlet equipment, supplies and Outlet design specifications.

You may only purchase our proprietary products, which includes our proprietary waffle batter pre-mix, frozen waffles, logoed paper and plastic packaging and other branded merchandise, as well as your store graphics package only from our affiliate, TDL Logistics LLC In the fiscal year ended December 31, 2022, our affiliate derived \$107,602.01 from purchases or leases made by our Franchisees.

### **Designated Suppliers:**

Waffle Maker: HVD.be, Atomveldstraat 1 bus 2, 9450 Denderhoutem, Belgium BE 0454.155.681  
email: [info@hvd.be](mailto:info@hvd.be); Telephone: 032 53 420 057.

POS System: Heartland USA Phone: 866-646-7648. Email: [PointofSale@heartland.us](mailto:PointofSale@heartland.us)

Music Playlist: Spotify USA Inc., 4 World Trade Center 150 Greenwich Street, 62nd Floor New York, NY 10007 USA [office@spotify.com](mailto:office@spotify.com)

You must purchase the POS system, Music Playlist and Waffle Makers from these Designated Suppliers. At the present time, DLFG is not an approved or designated supplier of these items.

In addition, you must utilize the Online Consumer Ordering App that is designated in the Manual. You will pay the monthly fee to our affiliate, TDL Logistics LLC, who will then pay the creator of the Online Consumer Ordering App.

We may derive income or other material benefit from these required purchases from designated and approved vendors/suppliers.

You must purchase other items and utilize services required for the operation of your Shop from approved suppliers listed in the Manual which may change from time to time to meet our expectations, or from Suppliers that meet our specifications as described in the Manual. We must approve any supplier proposed by you. At the present time, DLFG is not an approved or designated supplier of any of these items. We may derive income or other material benefit from these required purchases from approved vendors/suppliers. In the fiscal year ended December 31, 2022, we did not receive any revenue from required purchases, from designated or approved suppliers.

DLFG estimates that the cost of the required purchases that must be purchased from designated or approved suppliers or in accordance with DLFG's specifications will represent approximately between 68% to 84% of your total purchases in connection with the establishment of your Outlet and will represent from 15% to 25% of your ongoing expenses.

Our CEO is also a principal of our affiliate, TDL Logistics LLC. There are no other approved or designated suppliers in which any of our officers owns an interest.

We expect to derive some income from Franchisees' required purchases from designated and approved suppliers in the next and following fiscal years through a program of rebates from some of our designated or approved suppliers. These rebates serve to partially reimburse us for our costs in the initial sourcing, approval and ongoing monitoring of compliance with our quality standards by our suppliers, but we may receive rebates in excess of our cost to source, approve and monitor suppliers. In the fiscal year ended December 31, 2022, neither we nor our affiliates received any revenue from rebates for purchases made by our Franchisees.

If you wish to procure any items from a supplier other than us or an Approved Supplier, you must obtain our approval in the manner described in Section 8.2 of the Franchise Agreement. You must identify the proposed supplier, its name and address, and the item(s) you desire to purchase from that supplier. We may require you to deliver a sample of their product. Our specifications and standards for supplier approval are generally available upon written request or provided in the Manual. If product specifications for the item are not in the Manuals, we will furnish the general, but not manufacturing, specifications for Non-Proprietary Products to you at your request. We may condition our approval on the supplier agreeing in writing not to disclose any confidential information regarding us or our operations, to comply faithfully with our specifications for the items it sells, to sell any materials bearing our marks only to our franchisees, and on the supplier demonstrating to our reasonable satisfaction that it is able to supply commodities meeting our specifications on a continuing basis, and that the supplier is, and will continue to be, of good standing in the business community with regard to its financial soundness and the reliability of its product and service. We also have the right to require, as a condition of approval, that our representatives are permitted to inspect the supplier's facilities and that you deliver to us and/or to an independent, certified laboratory designated by us, all information, specifications and samples that we reasonably designate for testing.

You must pay us a fee not to exceed the actual cost of the inspection and the testing. In addition to product testing, a facility audit may be required. You will be responsible for any additional costs and expenses, if any, associated with the inspection of the facility and shall pay us, in advance, a deposit of up to \$1,000, before we begin any inspection. We will use our good faith efforts to notify you of our decision in writing of our approval or disapproval of a proposed supplier within 60 days after we receive your request for approval and all requested back-up information. You may not use a supplier unless we notify you of our approval in writing. We may revoke a supplier's approval for failure to comply with our requirements and specifications. We will disapprove or withdraw our approval of any supplier by written notice to you.

We do not have any purchasing or distribution cooperatives as of the date of this Disclosure Document. We may negotiate purchase arrangements with other suppliers and distributors for the benefit of our Franchisees in the future and we may receive rebates or volume discounts from our purchase of equipment and supplies that we resell to you. We do not provide material benefits, such as renewing or granting additional franchises, to Franchisees based on their use of designated or approved suppliers.

### **Leases**

You must obtain DLFG's prior written approval of your proposed Outlet site. DLFG requires you to include certain provisions in your lease (See Attachment VIII to the FA)

### **Insurance**

You must, at all times, maintain insurance as follows:

A. If you have employees, workers' compensation insurance in amounts prescribed by law in your territory;

B. Fire and lightening, extended coverage, theft, vandalism and malicious mischief, flood (if the Franchise is in a Designated Flood Hazard Area), and sprinkler leakage insurance on the Franchise and all fixtures, equipment, supplies and other property used in the operation of the Franchise, for not less than 100% of the replacement value of the same, except that an appropriate deductible clause will be permitted;

C. Comprehensive general liability insurance and product liability insurance coverage in such amounts and upon such terms as may from time to time be customary for an artisan dessert business located in your Territory, but not less than \$1,000,000, insuring both you and DLFG against all claims, suits, obligations, liabilities and damage, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage relating to the use or condition of the Franchise; and

D. Such additional insurance as may be required by the terms of any lease or mortgage for the Franchise.

### **Computer Requirements**

We do not currently require you to purchase any particular computer hardware brand to establish or operate the Outlet, but we do specify the standards for computer and communication equipment and Internet access. You may be required to purchase software to use in the operation of your Franchise. We reserve the right to require you to specify computer hardware or software, and other communications equipment, and to specify other computer-related and communications standards in the future.

## ITEM 9 FRANCHISEE'S OBLIGATIONS

**This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.**

	<b>Obligation</b>	<b>Section in Agreement(s)</b>	<b>ITEM in Disclosure Document</b>
A	Site selection and acquisition/lease if any	Sections 8.02, 10.02 10.03 and Attachment VI of the Franchise Agreement	ITEM 11
B	Pre-opening purchases/leases	Sections 10.02, 10.03 & 12 of the Franchise Agreement	ITEM 11
C	Site development and other pre-opening requirements	Sections 8, 10 & 12	ITEM 11
D	Initial and ongoing training	Sections 8.04, through 8.07 of the Franchise Agreement	ITEM 11
E	Opening	Section 5.02, 8.02, 8.04, 8.06, 10.01 of the Franchise Agreement Section IV and Attachment A in the ADA Agreement	ITEMS 11 AND 12
F	Fees	Sections 5, 8, 9, 13 and Attachment I of the Franchise Agreement	ITEM 5, 6, & 7
G	Compliance with standards and policies/Manual	Section 7.04, 12.02, 12.03	ITEM 11
H	Trademarks and proprietary information	Section 6 & 7 and Attachment IV of the Franchise Agreement	ITEM 13 & 14
I	Restrictions on products and services offered	Sections 8.03, 12.06	ITEM 8 & 16
J	Warranty and customer service requirements	Section 12.09 of the Franchise Agreement	Not Applicable
K	Territorial development and sales quotas	Section 4 and Attachment 1 of the Franchise Agreement Attachment A of the ADA Agreement	ITEM 11 & 12
L	Ongoing Product and service purchases	Section 12 of the Franchise Agreement	ITEM 8 & 16
M	Maintenance, appearance and remodeling requirements	Sections 10.01, 10.04 12.02, 12.03 of the Franchise Agreement	Not Applicable
N	Insurance	Section 12.08 of the Franchise Agreement	ITEM 8
O	Advertising	Section 9 of the Franchise Agreement	ITEM 11
P	Indemnification	Sections 12.14 of the Franchise Agreement	Not Applicable

	<b>Obligation</b>	<b>Section in Agreement(s)</b>	<b>ITEM in Disclosure Document</b>
Q	Owner’s participation/management staffing	Section 12.04 of the Franchise Agreement	ITEM 15
R	Records and reports	Section 11 of the Franchise Agreement	Not Applicable
S	Inspection and audits	Section 11.03 of the Franchise Agreement	Not Applicable
T	Transfer	Section 14 of the Franchise Agreement	ITEM 17
U	Renewal	Section 3 of the Franchise Agreement	ITEM 17
V	Post-termination obligations	Sections 7 and, 15 & Attachment IV of the Franchise Agreement	ITEM 17
W	Non-competition covenants	Section 7 & 16 of the Franchise Agreement and Attachment IV	ITEM 17
X	Dispute resolution	Section 16 of the Franchise Agreement Section IX of the ADA	ITEM 17
Y	Other	Not Applicable	Not Applicable

**ITEM 10  
FINANCING**

Neither The Dolly Llama nor any agent or affiliate(s) of ours offers direct or indirect financing. We do not guarantee your note, lease, or obligation.

**ITEM 11  
FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING**

**Except as listed below, DL FRANCHISE GROUP LLC is not required to provide you with any assistance.**

**Pre-Opening Obligations**

**Before you begin your Business, we will:**

1. Within 30 days of signing the Franchise Agreement, designate your Designated Territory in writing and approve, if it meets our standards and specifications for approval, the franchise selected solely by you to be used for the operation of the Franchise. (See Sections 4 and 10 of the Franchise Agreement).
2. Loan you a copy of our confidential operating Manual, which contains mandatory and suggested specifications, standards, operating procedures and rules. The Manual is confidential and remains our property. We may modify the Manual from time to time, but the modification will not alter your status and rights under the Franchise Agreement. (See Section 7.04 of the Franchise Agreement). We have included a copy of the Table of Contents of our Manual as Exhibit E to this Franchise Disclosure Document. The Operating Manual consists of 269 pages.
3. Provide advice about selecting and analyzing a site for the Franchise. Your site must be at least 1,000 up to approximately 2,000 square feet. Site selection is your responsibility, but we will

assist you in the site selection process by considering population density, traffic patterns, and proximity of the proposed site to other The Dolly Llama Shops or any other reasonable criteria. You are solely responsible for selection of the proposed site of your Dolly Llama Shop, which will be subject to our review and acceptance. We may, without obligation, assist you by finding a third party commercial real estate company that shall reasonably assist you in selecting an acceptable site for the Franchised Location, including assisting with analyzing the local market, finding multiple potential locations to review and assisting with negotiating and securing a lease for the Franchised Shop, only after you sign the Franchise Agreement and pay the Initial Franchise Fee. You may not construe any assistance we may provide, or our acceptance, as a guarantee or other assurance that the proposed site will be successful. The factors we consider in accepting Franchised Locations include general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings and lease terms. You must open the Dolly Llama Shop within 365 days after signing your Franchise Agreement. We will not unreasonably withhold our consent to your request for additional time to open the Dolly Llama Shop. Without guaranteeing the success of any particular site, DLFG will approve or disapprove your site within 30 days after we receive notice of the site from you. The franchise agreement cannot be terminated due to failure to agree on site selection; however, the franchise agreement may be terminated for failure to designate a location within 120 days of signing the Franchise Agreement, In addition, failure to begin operations of your DLFG franchise within 365 days of signing the Franchise Agreement may result in termination of the Franchise Agreement and we will retain all monies received. Our assistance in no way constitutes a representation or warranty with respect to the property. (See Section 10.02 of the Franchise Agreement).

5. Provide you advice about the negotiation of the lease or purchase of a site for your Outlet, which will be leased or purchased by you from independent third parties. Our assistance in no way constitutes a representation or warranty with respect to the lease or purchase. (See Sections 10.02 and 10.03 of the Franchise Agreement).

6. Approve, if it meets our standards and specifications for approval, plans submitted for the design of your Franchise. Construction or remodeling, if needed, should begin as soon as possible after signing the Franchise Agreement, but, in any case, will not begin later than nine months after signing the Franchise Agreement. Upon request, we will assist in the development and planning of any construction or remodeling with respect to sign specification and colors and Franchise layout and design. You must pay for construction or remodeling and all other costs associated with compliance and permits. Our approval means that the site and plans meet minimum specifications and is not a warranty for their appropriateness. (See Section 10 of the Franchise Agreement).

7. Provide assistance with equipment, signs, fixtures, opening inventory and supplies. We will provide you a list of the names of approved suppliers and interior design firms. Upon request, we will provide written specifications for these items. We do not deliver or install any of the items. (See Section 8.03 of the Franchise Agreement).

8. Within 60 days of your signing the Franchise Agreement, or any other time as may be mutually agreed upon, train you and your designated Manager as follows:

## **TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
Introduction to “The Dolly Llama”	.5	.5	Los Angeles, California; Franchised Location
Pre-Opening Marketing	.5	1	Los Angeles, California; Franchised Location
Permits and Coding Compliance	.5	.5	Los Angeles, California; Franchised Location
Products, “Recipes” and Ingredients Review	.5	2	Los Angeles, California; Franchised Location
Position Training, Customer Service and Quality Control	1	5	Los Angeles, California; Franchised Location
Regulatory Compliance	.5	.5	Los Angeles, California; Franchised Location
POS Training	.5	2	Los Angeles, California; Franchised Location
Administration	.5	.5	Los Angeles, California; Franchised Location
Personnel Management	.5	1	Los Angeles, California; Franchised Location
Financial Management	1	1	Los Angeles, California; Franchised Location
Marketing, Advertising & Promotion	1	1	Los Angeles, California; Franchised Location
<b>TOTAL</b>	<b>7</b>	<b>15</b>	

Training will be supervised by David Pinhasov who has more than 5 years’ experience in various operational capacities relating to the operation of a The Dolly Llama Outlet. Training materials will consist of The Manual and videos. The training program will be conducted as often as necessary to enable each franchisee to complete training prior to opening for business. (See Section 8.04 of the Franchise Agreement). However, Initial Training must be completed a minimum of 30 days prior to opening.

You and your designated Manager must attend training but may train up to 2 additional persons included with the Initial Franchise Fee. We do not charge an additional fee for this training or service unless more than four persons are attending. You will, however, be required to pay the expenses for travel, hotels, meals and wages, for you, your designated Manager, and your employee(s) that attend.

All training, except any on-site training, will be held at our corporate headquarters in Los Angeles, California, or at another location designated by Us. We estimate this training to take approximately two days. You must complete this training to our satisfaction and as certified by us in writing, or repeat this training, at no cost prior to commencing operation of your franchise. Failure to successfully complete any aspect of the Initial Training Program within 10 months after signing your Franchise Agreement, as we determine in our sole discretion, may be grounds for termination of your Franchise Agreement. We may allow you to retake the Initial Training Program in our sole discretion. Training must be completed 30 days prior to opening. If you wish to send additional persons to the Initial Training, you must pay our Initial Training Fee of \$250 per person sent. You are responsible for all wages, hotels, meals and travel expenses for anyone attending. After you complete this initial training to our satisfaction, there are no additional required training or refresher courses. (See Section 8.05 of the Franchise Agreement).

10. Grand Opening Assistance: We will provide you with a 1-2 person opening assistance team to assist you for two (2) days prior and the day of your Grand Opening (3 days total). (See Section 8.05 of the Franchise Agreement).

**During the operation of the franchised business, DLFG will:**

1. Research new equipment, supplies, services and methods of doing business and provide you with information concerning developments of this research. (See Section 8.09 of the Franchise Agreement).

2. Consultation Services: Offer you continuing advisory services by telephone, email or other types of communication during normal business hours not to exceed 10 hours in a 30-day period. Any additional advisory services you request will incur a fee. We may also provide to you Consultation visits by our field representative(s), but any on-site consultation you request will also incur a fee. (See Sections 8.04 and 8.06 of the Franchise Agreement).

3. Post Opening Additional Assistance at your Franchise: This Fee is \$3,500 for 1 person for a 2 day period and includes their travel and lodging expenses. You will incur this fee if we send a company representative to your Outlet beyond the Initial Grand Opening Training. This includes but is not limited to: (i) the Opening Assistance Team remains at your Outlet for more than 3 days included with the Franchise Fee, or (ii) if you ask us to provide you with an Opening Assistance Team for any subsequent Outlets you purchase under and ADA, or (iii) if you request that we provide additional training at your Outlet beyond Initial Training for any reason, or (iv) if as the result of an inspection or quality assurance audit we believe that remedial training is necessary, you must pay our daily fee for each trainer we send to your Outlet, and you must reimburse each trainer's expenses, including travel, lodging, meals and wages.

4. Training New or Replacement Employees: Following the Opening of your Outlet, we may, if requested, and at our discretion, provide additional Initial Training Programs for new or replacement supervisorial or managerial personnel at your Outlet. This training will incur a fee of \$250 per person trained. You are responsible for their Travel, lodging, meals and wages.

We will include information about your Franchise on our Web site. (See Section 8.11 of the Franchise Agreement).

5. We may provide to you a toll-free support line. While we currently do not charge a fee, we reserve the right to charge an additional fee for this service. (See Section 8.06 of the Franchise Agreement).

6. We may implement a purchasing system for you and negotiate prices and terms with suppliers. We may receive rebates from the suppliers for these purchases. We reserve the right to use these funds in our sole discretion. (See Section 8.10 of the Franchise Agreement).

7. We may hold periodic regional or national conferences to discuss on-going changes in the industry, operational techniques, developments, personnel training, bookkeeping, accounting, advertising programs and new service procedures. You are required to attend these conferences. When we hold mandatory conferences, you will be required to pay a conference fee. You must pay all of the travel and living expenses for you and any other employees who attend. These conferences will be held at our corporate headquarters or at another location chosen by us. We estimate the cost of the travel and living expenses to attend the conferences to be between \$500 and \$1,000 and the conference fee to be \$500 per person. We may provide other conferences from time to time, and you may be required to pay a conference fee for these additional conferences based upon the direct costs to us of retaining speakers and other direct expenses associated with the conference, but we estimate this cost to be no more than \$250 per person. You must pay all of the travel and living expenses for you and any other employees who attend. We will not receive any net income from these conferences. (See Section 8.05 of the Franchise Agreement).

8. Provide marketing, promotional materials, and services to you. Materials provided may include video and audiotapes, copy-ready print marketing materials, posters, banners and miscellaneous items. You will receive one sample of each at no charge. If you want additional copies you must pay duplication costs. We may use both outside advertising and marketing agencies and internal staff to create advertising. You may develop marketing materials for your own use, at your own cost. We must approve the marketing materials in advance and in writing within fifteen days from receipt. We reserve the right to utilize marketing developed by you for the use of all Franchisees without any payment or other compensation to you. (See Section 9.03 of the Franchise Agreement).

9. There are no restrictions on your marketing; except that you may not advertise independently on the World Wide Web or outside your territory and that your advertising must be approved by us. (See Section 9 of the Franchise Agreement).

## **Marketing Programs**

### **Local**

At the present time, you are required to market on a local basis as an individual Franchise or by local marketing agencies hired by you. You are required to spend a minimum of 1% on marketing and promotion monthly in your Designated Territory. (See Section 9.02 of the Franchise Agreement).

**Grand Opening Marketing Campaign:** You will be required to launch a grand opening marketing campaign at least 30 days before the opening of your Outlet. You must hire our approved public relations company and launch a grand opening marketing campaign to promote your store for a total

of three months. One month prior and two months after the opening date. The amount for this grand opening package ranges between \$5,000-\$10,000. We may designate a different time period for you to conduct the grand opening marketing. Your grand opening marketing campaign must include giveaways of food samples and other promotions, as we require, and we must approve of your grand opening marketing campaign before it is conducted. This expenditure is in addition to any other advertising requirement. (See Section 9.02 of the Franchise Agreement).

### **National Marketing Fund**

You will be required to participate in and will be required to pay a fee into the National Marketing Fund (Fund) to advertise the System on a regional, national, or international level in an amount equal to 1% of Gross Sales, but the combined amount including local and regional advertising not to exceed 3%. Contributions shall be made at the same time and in the same manner as the Royalty Fee. Franchisor will hold contributions to the Fund in any bank account of its choosing, including the Corporate Account. Any locations under the control of our principals or affiliates are not required to participate in the NMF. Franchisor will use the contributions to the Fund for local, regional, national, Internet, or international advertising or marketing, development and maintenance of any Internet or e-commerce programs, related expenses, and any media or agency costs or to attend franchise trade shows and other events. Franchisor may also use contributions to the Fund to offset or partially rebate the franchisee's local media and printing expenses. Franchisee acknowledges and agrees that expenditures from the Fund may or may not be proportionate to contributions made by Franchisee or provide a direct or any benefit to Franchisee and that Franchisor has no fiduciary duty to do so. The National Marketing Fund will be spent for the purposes set forth above at Franchisor's sole discretion, and Franchisor has no fiduciary duty with regard to the Fund. We may accumulate these contributions, and the balance may be carried over to subsequent years and used for the purposes stated above. If the National Marketing Fund operates at a deficit or requires additional funds at any time, we reserve the right to loan funds to the National Marketing Fund on any terms we determine. We may also utilize the National Marketing Fund to reimburse ourselves for administrative expenses incurred in administering the National Marketing Fund. An unaudited annual financial statement of the National Marketing Fund will be prepared within one hundred twenty (120) days of the close of Franchisor's fiscal year and will be available to you upon request. (See Section 9.04 of the Franchise Agreement).

Any advertising funds not spent in the fiscal year in which they accrue will be carried over to the next year. The fund will not be used to solicit the sale of franchises. We do not expend any part of the advertising fund to solicit new franchise sales.

In the last fiscal year ending December 31, 2022, the Advertising Fund spent 25% on production, 45% on media placement, 20% on administrative expenses and 10% on other uses.

### **Regional Advertising Cooperative**

Although we have not done so, we have the power to require advertising cooperatives to be formed, changed, dissolved or merged. We can establish one or more associations and/or sub-associations of DLFG franchisees to conduct various marketing related activities on a cooperative basis. The Cooperative will be made up of franchisees who are located in or near Designated Marketing Areas, as determined by Us, and will be managed by franchisees elected by the group. The Cooperative, if

established, may adopt its own written governing regulations, which you must follow but these regulations are subject to consent by us. These regulations will be made available to the Franchisee upon written request.

We will notify you in writing of the Regional Advertising Cooperative for your area that you must join and the amount of your advertising cooperative contributions. When implemented, your contributions will be at least 1% but no more than 2% of Gross Sales unless the Cooperative changes the maximum contribution. These contributions will count towards your local advertising requirement. Any locations under the control of our principals or affiliates are not required to contribute to the Cooperative. Expenditures by the Regional Advertising Cooperative need not be in proportion to the contributions you make, or any other franchisee makes. An unaudited annual financial statement of the Regional Advertising Cooperative will be prepared within 120 days of the close of our fiscal year and will be available to any Franchisee upon written request. (See Section 9.02 of the Franchise Agreement).

### **Other Advertising Information**

Although we have not done so, we have the power to require a Franchisee Advisory Council to be formed, changed, dissolved or merged. If formed, we will periodically meet with a council(s) of DLFG franchisees ("Franchisee Advisory Council") to provide us input. Members of the Franchisee Advisory Council will be selected by us from existing Franchisee's. We will give due consideration to all input from the council(s) but we retain the ultimate decision-making authority and responsibility for all of these matters. If we submit a matter for approval by the Franchisee Advisory Council, if one is formed, and that matter is approved by a majority vote of the Franchisee Advisory Council, that approval will be fully binding on you.

### **Website / Intranet:**

We alone may establish, maintain, modify or discontinue all internet, world wide web and electronic commerce activities pertaining to the System. We have established one or more websites accessible through one or more uniform resource locators ("URLs"). We will provide your Outlet with a listing on our website, and we may, but are not required to, design and provide for the benefit of your Outlet a "click through" subpage at our website for the promotion of your Outlet. If we establish one or more websites or other modes of electronic commerce and if we provide a "click through" subpage at the website(s) for the promotion of your Outlet, you must routinely provide us with updated copy, photographs, and news stories about your Outlet suitable for posting on your "click through" subpage. We have the right to specify the content, frequency and procedure you must follow for updating your "click through" subpage.

Any websites or other modes of electronic commerce that we establish or maintain may – in addition to advertising and promoting the products, programs or services available at The Dolly Llama – also be devoted in part to offering The Dolly Llama franchises for sale and be used by us to exploit the electronic commerce rights which we alone have.

In addition to these activities, we may also establish an intranet through which downloads of operations and marketing materials, exchanges of franchisee email, System discussion forums and System-wide communications (among other activities) can be done. You may not maintain your own website; otherwise maintain a presence or advertise on the internet or any other mode of electronic

commerce in connection with your Outlet; establish a link to any website we establish at or from any other website or page; or at any time establish any other website, electronic commerce presence or URL which in whole or in part incorporates the “The Dolly Llama” name or any names confusingly similar to the Proprietary Marks.

You are not permitted to promote your Outlet or use any of the Proprietary Marks in any manner on any social or networking websites, which includes but is not limited to, Facebook, Instagram, LinkedIn, YouTube, TikTok or Twitter, without our prior written consent. We will control all social media initiatives. You must comply with our System standards regarding the use of social media in your Outlet’ operation, including prohibitions on your and the Outlet’ employees posting or blogging comments about the Outlet or the System, other than on a website established or authorized by us (“social media” includes but is not limited to personal blogs, common social networks like Facebook, and Instagram, professional networks like LinkedIn, live-blogging tools like Twitter and video networks like YouTube and TikTok virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools). We will provide access to branded social media pages/handles/assets, and you must update these regularly. We have the right to conduct collective/national campaigns via local social media on your behalf.

We alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any website we establish and maintain, including any and all material you may furnish to us for your “click through” subpage. (See Section 9.06 of the Franchise Agreement).

### **Schedule for Opening**

It is estimated that the length of time between the signing of the Franchise Agreement and the opening of your Outlet will usually be about one hundred and twenty (120) to three hundred and sixty-five (365) days. Factors affecting this length of time include financing arrangements, property lease terms, construction or conversion requirements, and scheduling and completion of the training program. Failure to begin operations of your DFLG franchise within 365 days of signing the Franchise Agreement may result in termination of the Franchise Agreement and we will retain all monies received. (See Sections 8.02 and 10 of the Franchise Agreement).

### **Computer Systems, Proprietary Software, and Internet Access**

You must have access to the Internet, have an electronic mail address provided by us, and periodically check your electronic mailbox and the portion of our Web site devoted to franchise owners. We reserve the right to market and sell, over the Internet (See Section 12.14 of the Franchise Agreement).

You will be required to purchase a POS system from our only designated vendor which we estimate will cost between \$125.00 and \$250.00 per month. You will be responsible for paying any credit card transaction and processing fees. We also require that you use our Online Consumer Ordering App and that you pay our affiliate, TDL Logistics LLC, for this service (currently, the cost is \$139 per month). In addition, you will be required to install a music system (tablet) at an approximate equipment of cost of \$80 to \$500 and a monthly music service fee of approximately \$10 to \$50 per month through our designated vendor.

The credit card transactions and processing fees are an additional cost to your monthly fee. You may choose to obtain, but we do not require a desktop or laptop and basic accounting software. We estimate the cost to be between \$750 and \$1,000. We do not have any requirements for these items. We do not require that you use any specific vendors for your Internet and communications equipment. We do require that you meet certain minimum standards established periodically in the Manual. You may also choose to install a security system. Currently, we have no requirements for these items, and no preferred vendors. Your costs will vary depending on the systems you select, if any, and is not included in this estimate.

The required POS Software will generate information and DLFG will use this information to collect revenue and other operating data. We will have access to this information over the internet. However, we will be restricted to the information relating to your Outlet. DLFG has the contractual right to poll the necessary data from your computer, but as a practical matter would be unable to do so without your cooperation. DLFG will not have the right to access other types of data on your computer and does not have the ability to access it independently. (See Section 12.14 of the Franchise Agreement).

You may be required to upgrade your hardware and/or software in order to utilize the computerized system as technological advances require. You will be responsible for the cost of such upgrades. You will not be required to upgrade your hardware or software more often than once a year, at a maximum cost of \$1,000. (See Section 12.14 of the Franchise Agreement).

You are solely responsible for protecting yourself from viruses, computer hackers, and other communications and computer-related problems, and you may not sue us for any harm caused by such computer-related problems. You must also take reasonable steps to verify that any person or entity upon whom you rely on is reasonably protected. This may include establishing firewalls, access code protection, anti-virus systems, and use of backup systems. (See Section 12.15 of the Franchise Agreement).

## **ITEM 12 TERRITORY**

### **Franchise Agreement:**

Subject to our reservations set forth below, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands we control. You will, however, receive a protected territory (“Designated Territory”) having a one (1) mile radius from your Approved Location. From within that Designated Territory, you will operate from one site approved by us (“Approved Location”) and you must receive our permission and pay a Relocation Fee before relocating. You are responsible for selecting a site for the Approved Location, but we will assist you in the process by considering population density, traffic patterns, and proximity of the proposed site to other The Dolly Llama Outlets or any other reasonable criteria. DLFG must approve or disapprove your site within 30 days after we receive notice of the site from you. If we cannot agree on site selection, then DLFG will send a representative to assist in site selection. The Franchise Agreement cannot be terminated due to failure to agree on site selection; however, the Franchise Agreement may be terminated for failure to designate a location within three (3) months of signing the Franchise Agreement. Provided you are in compliance with your Franchise Agreement, and subject to the Non-Traditional sites that are reserved

as stated below, we will not operate or license, through our current trademarks or different trademarks, any The Dolly Llama franchises to operate from a permanent location from within your Designated Territory, but we have the right to do so anywhere outside your Designated Territory. Once established and unless otherwise agreed to in writing, the boundaries of your Designated Territory will not be adjusted regardless of whether the population of your Designated Territory increases or decreases over time.

Your Designated Territory does not extend to, and you may not advertise independently on, the Internet or World Wide Web. We will maintain The Dolly Llama Web pages which will include information regarding your Franchise.

There is no minimum sales quota; nor is there a minimum royalty fee. The monthly royalty fee of 6% of Gross Sales is required. Failure to pay the royalties is a material breach of the Franchise Agreement and may result in termination.

You do not receive the right to acquire additional franchises within your local marketing area or any contiguous area by this Agreement alone. Each Franchise Agreement is a separate and distinct transaction between you and us. We intend to develop a strong system of multi-unit owners. You are encouraged to purchase franchise rights to operate additional franchises outside your local trade area. You do not receive any rights to use any other channel of distribution for our products or services without our written consent.

Nothing in the Franchise Agreement will prevent us from:

1. operating, licensing and/or franchising others to operate outlets or offer our products and/or services, identified in whole or in part by our Proprietary Marks and/or utilizing the System in your Designated Territory that are located in gas stations or convenience stores; transportation facilities, including airports, train stations, subways and rail and bus stations; military bases and government offices; sports facilities, including stadiums and arenas; amusement parks, zoos and convention centers; car and truck rest stops and travel centers; educational facilities; recreational theme parks; hospitals; business or industrial foodservice venues; venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider; Indian reservations; casinos; or any similar captive market location not reasonably available to you. The above reserved locations being defined as “Non-Traditional Sites”;
2. awarding national, regional or local licenses to third parties to sell products under our Proprietary Marks in foodservice facilities primarily identified by the third party’s trademark;
3. merchandising and distributing products identified by our Proprietary Marks in the Designated Territory through any method or channel of distribution other than through the operation of an outlet, including distribution of proprietary products through grocery stores, club stores and similar stores;
4. selling and distributing products identified by our Proprietary Marks in the Designated Territory to restaurants other than The Dolly Llama outlets identified by our Proprietary Marks, provided those restaurants are not licensed to use our Proprietary Marks in connection with their retail sales;
5. selling products and services through other channels of distribution, including the internet, wholesale, mail order and catalogue;
6. developing and/or owning other franchise systems for the same or similar products and services using trade names and trademarks other than our Proprietary Marks; and

7. purchasing, being purchased by, merging or combining with, businesses that we deem to offer direct competition to The Dolly Llama Outlets.

Unless otherwise stated, you understand and acknowledge that if any Non-Traditional Site (as described above) is located within the physical boundaries of your Designated Territory, then the premises of this Non-Traditional Site will not be included in your Designated Territory, and you will have no rights to this Non-Traditional Site.

Neither we nor our affiliates are prohibited from:

1. operating, licensing and/or franchising others to operate, The Dolly Llama Outlets at any location outside of your Designated Territory;
2. operating, licensing and/or franchising others to operate, after this Agreement terminates or expires, The Dolly Llama Outlets at any location, including locations inside your Designated Territory; and
3. operating, licensing and/or franchising others to operate at any location, during or after the Initial Term or any renewal of the initial Term, any type of non-competing business other than a The Dolly Llama Outlet.

The restrictions contained in this section do not apply to The Dolly Llama Outlets in operation, under lease or construction or other commitment to open in the Designated Territory as of the Effective Date.

Except as expressly limited, we and our affiliates have the right to conduct any non-competing business activities, under any name, in any geographic area and at any location, regardless of the proximity to the Outlet or the economic effect on your Outlet or activities under this Agreement.

#### Limits on Where You May Sell.

You may offer and sell products to customers for consumption on the Outlet premises for personal or carry-out consumption: (a) from the Approved Location; and (b) in accordance with the requirements of this Agreement and the procedures set forth in the Operations Manual.

You may not sell products to customers outside your Designated Territory without our express written permission and with the following exception. If no other The Dolly Llama franchisee is adjacent to your Territory, you may deliver product and/or provide catering services to those customers outside your Territory. However, you may not deliver products and/or provide catering services to customers in another The Dolly Llama franchisee's Designated Territory nor will you receive any preferential right to continue to offer such products or services to such customers once a Designated Territory has been established for an adjacent The Dolly Llama franchisee.

You may only provide delivery and/or catering services using your own delivery service vehicle to addresses within your Designated Territory. Because a retail customer may choose to use a third-party delivery service, those deliveries are exempt from this the Territory restriction.

You agree not to offer or sell products through any means other than as provided above; and therefore, for example, you agree not to offer or sell products from satellite locations, temporary

locations, carts or kiosks, by use of catalogs, the Internet, or through any other digital format or print media unless specifically approved by us in writing.

You may not engage in any promotional activities or sell products or services, whether directly or indirectly, through or on the internet, the world wide web, or any other similar proprietary or common carrier electronic delivery system; through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere. While you may place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located primarily within your Designated Territory, you will not be deemed to be in violation of the Franchise Agreement if those advertisements, because of the natural circulation of the printed media or reach of television and radio, are viewed by prospective customers outside of your Designated Territory. You may not directly solicit customers outside of your Designated Territory. You have no options, rights of first refusal, or similar rights to acquire additional franchises. You may not sell any products to any business or other customer at wholesale.

We and our affiliates may sell products under our Proprietary Marks within and outside your Designated Territory through any method of distribution other than at a The Dolly Llama Unit, including sales through channels of distribution such as the internet, catalog sales, grocery stores, club stores, specialty food stores, telemarketing or other direct marketing sales (together, “alternative distribution channels”). You may not use alternative distribution channels to make sales outside or inside your Designated Territory and you will not receive any compensation for our sales through alternative distribution channels.

We or our affiliate will fulfill all orders placed through the retail portion of our website and you will not be entitled to any portion of the profits received from this, even if the customer’s order is generated from or delivered to an address in your Designated Territory.

Neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company owned The Dolly Llama outlets which sell our proprietary products or services under a different trade name or trademark, but we have the right to do so in the future, without first obtaining your consent.

### **Area Developer Agreement**

Under the Area Developer Agreement, we grant you the right to develop and operate under separate Franchise Agreements (which may differ materially from the Franchise Agreement included with this FDD) the number of The Dolly Llama outlets and their Designated Territories negotiated by you and us and defined in the Development Schedule as Attachment A to the ADA. The responsibility to locate and prepare a sufficient site for the Approved Location for each Designated Territory awarded is solely yours and we have no obligation to accept sites which do not meet our criteria for you to meet the Development Schedule. If you signed an Area Developer Agreement, we will determine or approve the location of future units and any territories for those units, and our then-current standards for sites and territories will apply.

We have the right to terminate our agreement to offer to you the option to acquire subsequent Units at reduced Franchise Fees if you are not in full compliance with all of the terms and conditions of the Area Developer Agreement and all of the Franchise Agreements signed under it.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

We and our affiliates retain all rights with respect to The Dolly Llama outlets, the Marks, and any products and services anywhere in the world including the right: (a) to produce, offer and sell and to grant others the right to produce, offer and sell the products offered at The Dolly Llama outlets and any other goods displaying the Marks or other trade and service marks through alternative distribution channels, as described above, both within and outside your Development Area, and under any terms and conditions we deem appropriate; (b) to operate and to grant others the right to operate The Dolly Llama outlets located within and outside the Development Area referenced in your Area Developer Agreement under any terms and conditions we deem appropriate, except that we will honor the Designated Territory as stated in the Franchise Agreements for your particular Units; (c) to operate and to grant others the right to operate The Dolly Llama outlets at Non-Traditional sites within and outside the Development Area under any terms and conditions we deem appropriate. If a Non-Traditional Site becomes available within the Development Area during the term of the Area Developer Agreement, we may, in our sole discretion, offer you the opportunity to develop a The Dolly Llama outlet at the Non-Traditional Site. You will have 30 days after we notify you that the outlet is available to accept this right of first refusal; and (d) the right to acquire and operate a business operating one or more restaurants or food service businesses located or operating in your Development Area.

To maintain your discounted Franchise Fees under the Area Developer Agreement you must have open and in operation the cumulative number of Franchised Units stated on the Development Schedule by the dates agreed upon in the Development Schedule. Failure to do so will be grounds for termination of the Area Developer Agreement.

In addition, when you and we sign the Franchise Agreement for the last Franchised Unit to be developed within the Development Area, your rights under the Area Developer Agreement with respect to the discounted Franchise Fees will have expired. The Development Area may not be altered unless we and you mutually agree to do so. It will not be affected by your sales volume. You are not granted any other option, right of first refusal or similar right to acquire additional Franchised Units in your Development Area under the Area Developer Agreement

### **ITEM 13 TRADEMARKS**

We grant you the right to operate an Outlet under our Marks, including the name “The Dolly Llama.” You may also use our other current or future Marks as we may designate to operate your Outlet. You must indicate, as required in the Franchise Agreement and specified in the Manual, that you are an independent operator of the Franchise and shall use the appropriate trademark and copyright marks as indicated by us.

The following is a description of the principal Trademarks which we will license to you:

Description of Mark	Registration	Registration Number	Principal or Supplemental Register of the United States Patent and Trademark Office
The Dolly Llama (word mark)	5,594,665	October 30, 2018	Principal
	5,866,140	September 24, 2019	Principal

You must follow our rules when you use any of the Marks. You may not use any of the Marks alone or with modifying words, designs or symbols as part of a corporate name or in any form on the Internet, including, but not limited to URLs, domain names, email addresses, locators, links, metatags or search techniques except as we license to you. You may not use any of the Marks in connection with the sale of an unauthorized product or service or in a manner not authorized by us in writing. Guidelines regarding proper trademark use and notices are set forth in the Manual and will be updated from time to time in our discretion.

There is no currently effective determination of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court, or any pending interference, opposition or cancellation proceeding, or any pending material litigation involving the Marks which are relevant to your use of these Marks.

No currently effective litigation affects our use or ownership rights in a trademark. There are no currently effective agreements that significantly limit our rights to use or license the use of the Trademarks listed in this section in a manner material to the franchise. All required affidavits have been filed.

We have the right to control any administrative proceedings or litigation involving a trademark licensed by us to you. You must notify us within three days of when you learn about an infringement of or challenge to your use of our Marks. We will take the action necessary, in our sole and absolute discretion, to protect the unauthorized use of our Marks, which may include payment of reasonable costs associated with the action. We will indemnify you for any claims of infringement or challenges from use of Marks and will be solely for the defense and the cost thereof.

You must modify or discontinue the use of a Mark if we modify or discontinue use. The use of a new or modified trademark may be required, and you may be required to remove existing signs. If this happens, we will reimburse you for your tangible cost of compliance (for example, changing signs). You must not directly or indirectly contest our right to our Marks, trade secrets or business techniques that are part of our business.

We do not know of any infringing uses that could materially affect your use of our Marks. You should understand that there could be other local businesses using trademarks, trade names, or other commercial symbols similar to our Marks. These businesses may have a superior rights to use the marks, names or symbols in your local area. Before starting your Franchise, you should research this possibility, using telephone directories, trade directories, Internet directories, or otherwise in order to avoid the possibility of having to change the use of our Marks and your Franchise name.

## **ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

### **Patents and Copyrights:**

There are no pending patent applications that are material to the franchise. We hold no patents. We have registered no copyright with the United States Copyright Office. However, we claim copyrights on certain forms, advertisements, promotional materials and other written materials. We also claim copyrights and other proprietary rights in the DLFG's Confidential Operating Manual.

There are no agreements currently in effect which significantly limit your right to use any of our copyrights. Also, there are no currently effective determinations of the USPTO, the U.S. Copyright Office (Library of Congress) or any court pertaining to or affecting any of our copyrights discussed above. As of the date of this disclosure document, we are unaware of any infringing uses of or superior previous rights to any of our copyrights which could materially affect your use of them in any state.

Your and our obligations to protect your rights to use our copyrights are the same as the obligations for Trademarks described in Item 13 of this disclosure document.

### **Proprietary Information:**

You may never - during the Initial Term, any Renewal Term, or after the Franchise Agreement expires or is terminated - reveal any of our confidential information to another person or use it for any other person or business. You may not copy any of our confidential information or give it to a third party except as we authorize.

Our confidential information will include services, technologies and procedures relating to the operation of a The Dolly Llama; systems of operation, services, programs, products, procedures, policies, standards, techniques, requirements and specifications which are part of the DLFG System; the Manual: methods of advertising and promotion: instructional materials; and other matters.

## **ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

You or a fully trained and qualified manager ("Manager"), both of whom have completed our training program, must directly supervise and participate in the actual day-to-day operation of the Franchise on a full-time basis. Neither you nor your Manager may have an interest or business relationship with any of our business competitors. If you are an entity, we do not require that your

designated Manager own an equity interest in such entity. However, your designated Manager and each of your officers, directors, partners, shareholders or members, as applicable, must execute our standard Confidentiality and Covenant Not To Compete Agreement, a copy of which is attached to the Franchise Agreement as Attachment IV. Other than the above, we make no other recommendations and have no other requirements regarding employment or other written agreements between you and your employees.

If your interest is subsequently assigned to a business entity, each of the entity’s officers, directors, shareholders, partners, and members, plus any individual who owns, directly or indirectly, a 5% or greater interest in the entity must also assume and agree to discharge all of your obligations and comply with all restrictions under the Franchise Agreement.

**ITEM 16  
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer and sell only products and services which are part of The Dolly Llama system. You must offer and sell all services and products and services that we designate as required for all Franchisees within your market area as well as all products and services we incorporate into The Dolly Llama system in the future. DLFG reserves the right, in our sole discretion, to change the types of authorized services upon reasonable notice to you. There are no contractual limits on DLFG’s right to make changes, but DLFG will not make changes lightly. We also reserve the right to set maximum prices for use with multi-area marketing and special price promotions.

Currently, you must purchase certain items from us, our affiliate, or our designated suppliers. We reserve the right in the future to designate alternate vendors from whom you will purchase any required items. You are not restricted as to individuals to whom you may offer services to.

**ITEM 17  
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

**This table lists important provisions of the franchise and related agreements. You should read the full provisions in the Franchise Agreement attached to this Disclosure Document.**

**THE FRANCHISE RELATIONSHIP**

	<b>Provision</b>	<b>Section in Agreement(s)</b>	<b>Summary for Franchise and AD Agreement</b>
A	Length of the franchise term	Section 3 of the Franchise Agreement Section III of the AD Agreement	10 years from signing the Franchise Agreement. Your Area Development rights begin on the date you sign the AD Agreement and pay the ADA Fee and expire on the earlier of the day you sign the Franchise Agreement for the last ADA Unit listed in the ADA Schedule or the expiration date.
B	Renewal or extension of term	Section 3 of the Franchise Agreement Section III of the AD Agreement	If you are in good standing, you can renew for one (1) additional term of ten (10) years. There is no Renewal Provision in the AD Agreement

	<b>Provision</b>	<b>Section in Agreement(s)</b>	<b>Summary for Franchise and AD Agreement</b>
C	Requirements for Franchisee to renew or extend	Section 3 of the Franchise Agreement. Section III of the AD Agreement	Sign new agreement, be current in payments, and pay the Renewal Fee. You may be asked to sign a new Franchise Agreement with materially different terms and conditions than your original contract, but the boundaries of the territory will remain the same, and the Continuing Royalty on renewal will be no greater than Royalties that we impose on similarly situated renewing franchisees.
D	Termination by Franchisee	Section 13.01	Default by us.
E	Termination by Franchisor without cause	Not Applicable	Not Applicable
F	Termination by Franchisor with cause	Section 13 of the Franchise Agreement Section VII of the AD Agreement	We can terminate if you commit any one of several violations with a written 90-day notice.
G	“Cause” defined - curable defaults	Section 13 of the Franchise Agreement. Section VII of the AD Agreement	You have 30 days to cure, including failure to comply with the System, non-payment of fees and other obligations, failure to comply with federal, state or local laws or regulations. Under the AD Agreement: If you materially breach any Franchise Agreement and do not cure that breach within the cure period provided for in that Franchise Agreement.
H	“Cause” defined - non-curable defaults	Section 13 of the Franchise Agreement.	Non-curable defaults include misrepresentation by you, failure to complete initial training, bankruptcy, insolvency, or appointment of receiver, abandonment, trademark misuses and unapproved transfers. (Termination upon bankruptcy may not be enforceable under U.S. Bankruptcy Law.) If you fail to meet the ADA Schedule, you transfer or encumber your rights in violation of the AD Agreement, you or your owner is convicted of a crime, or you are bankrupt.
I	Franchisee’s Obligations on termination/non-renewal	Sections 13 of the Franchise Agreement. Section VII(B) of the AD Agreement	Obligations include complete de-identification, non-competition and payment of amounts due. No rights to open additional ADA Units; you must continue to operate the ADA Units according to any existing Franchise Agreements that are not terminated.
J	Assignment of contract by Franchisor	Section 14 of the Franchise Agreement. Section VI(B) of the AD Agreement	No restriction on our right to assign.
K	“Transfer” by franchisee - definition	Section 14 of the Franchise Agreement. Section VI(A) of the AD Agreement	Includes transfer of contract or assets or ownership change
L	Franchisor approval of transfer by Franchisee	Section 14 of the Franchise Agreement. Section VI(A) of the AD Agreement	We have the right to approve all transfers but will not unreasonably withhold approval.

	<b>Provision</b>	<b>Section in Agreement(s)</b>	<b>Summary for Franchise and AD Agreement</b>
M	Conditions of approval of transfer	Section 14 of the Franchise Agreement. Section VI(A) of the AD Agreement	New Franchisee qualifies, Transfer Fee paid, purchase agreement approved, training arranged, release signed by you, and current agreement signed by new Franchisee. Transferee qualifies, you pay all amounts owed to us or our affiliates, transfer fee paid, release signed, training of transferee, economically reasonable sale terms. We may require you to transfer all of the undeveloped ADA Units under the ADA
N	Franchisor's right of first refusal to acquire Franchisee's Outlet.	Section 14 of the Franchise Agreement	We can match any offer for your Outlet. None in the ADA.
O	Franchisor's option to purchase franchisee's Outlet	Section 14 of the Franchise Agreement	We may purchase Outlet if Franchise is terminated for any reason by Right of First Refusal.
P	Death or disability of Franchisee	Section 14 of the Franchise Agreement	Franchise must be assigned by estate to approved transferee within 120 days.
Q	Non-competition covenants during the term of franchise	Section 15 & Attachment IV of the Franchise Agreement	No involvement in competing business anywhere in U.S.
R	Non-competition covenants after the franchise is terminated or expires	Section 15 & Attachment IV of the Franchise Agreement	No competing business for 2 years within 50 miles from the boundary of your Designated Territory or from another The Dolly Llama franchise, company-owned Franchise, or on the Internet (including after assignment).
S	Modification of agreement	Sections 7, 8 & 18 of the Franchise Agreement	No modifications generally but Manual subject to change.
T	Integration/merger clause	Section 18 of the Franchise Agreement. Section VIII of the AD Agreement	Only the terms of the Franchise Agreement are binding (subject to state law). All representations and promises made outside the disclosure document and franchise agreement may not be enforceable. Nothing in this agreement or in any related agreement is intended to disclaim any of the representations made in the disclosure document.
U	Dispute resolution by arbitration or mediation	Section 16 of the Franchise Agreement	Except for certain claims, all disputes must be arbitrated.
V	Choice of forum	Section 16 of the Franchise Agreement. Section VIII of the AD Agreement	Arbitration and actions for injunctive relief, claims based on the Marks, or on covenants not to compete must be in the State of California, subject to State Law.
W	Choice of law	Section 16 of the Franchise Agreement. Section VIII of the AD Agreement	California law applies, subject to State Law

See the state addenda attached as Exhibit D to the Franchise Agreement and franchise disclosure document for special state disclosures.

## **ITEM 18 PUBLIC FIGURES**

We do not use any public figure to promote our franchise.

**ITEM 19**  
**FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchisee and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting us at: info@thedollyllamaus.com, (213) 300-3801 and the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**  
**System Wide Outlet Summary**  
**For years 2020 to 2022 (As of December 31 of each year)**

<b>OUTLET TYPE</b>	<b>YEAR</b>	<b>OUTLETS AT THE START OF THE YEAR</b>	<b>OUTLETS AT THE END OF THE YEAR</b>	<b>NET CHANGE</b>
<b>Franchised</b>	2020	0	0	0
	2021	0	0	0
	2022	0	3	+3
<b>Company- Owned*</b>	2020	4	3	-1
	2021	3	3	0
	2022	3	3	0
<b>Total Outlets</b>	2020	4	3	-1
	2021	3	3	0
	2022	3	6	+3

\*Owned by the Affiliate Jolly Llama LLC

**Table No. 2**  
**Transfers of outlets from Franchisees to New Owners (other than the Franchisor) For years 2020 to 2022 (As of December 31 of each year)**

STATE	YEAR	NUMBER OF TRANSFERS
All	2020	0
	2021	0
	2022	0
Total Outlets	2020	0
	2021	0
	2022	0

**Table No. 3**  
**Status of Franchised Outlets**  
**For years 2020 to 2022 (As of December 31 of each year)**

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS- OTHER REASONS	OUTLETS AT END OF THE YEAR
California	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	3	3	0	0	0	0	3
Total Outlets	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For years 20120 to 2022 (As of December 31 of each year)**

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEES	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEES	OUTLETS AT END OF THE YEAR
California	2020	4	0	0	1	0	3
	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
Total Outlets	2020	4	0	0	1	0	3
	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3

**TABLE NO. 5**  
**PROJECTED OPENINGS AS OF DECEMBER 31, 2023**

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets In the Next Fiscal Year	Projected New Company-Owned Outlets in the current Fiscal Year
California	1	1	0
Florida	2	2	0
North Carolina	1	1	0
Nevada	1	1	0
New York	1	1	0
Pennsylvania	1	0	0
South Carolina	2	1	0
Texas	1	1	0
<b>Totals</b>	10	8	0

**Lists of Current and Former Franchises:**

Below lists the names of all current franchises and the addresses and telephone numbers of their outlets as of December 31, 2022, is:

Name	Address	City	State	zip	Phone
Bar-Pop Inc.	830 A1A N #16	Ponte Vedra Beach	FL	32082	310-405-1655
Dolly Llama LV LLC	4632 S Maryland Pkwy #12	Las Vegas	NV	89119	702-379-9251
Judson's Sweets LLC	2817 Howell St Suite 210	Dallas	TX	75204	903-521-6697

The names of all current franchises and the addresses and telephone numbers of their outlets that have signed a franchise agreement but were not yet open for business as of December 31, 2022, is:

Name	Address	City	State	Zip	Phone	Notes
Dreams Inspired Inc.	4810 Elk Grove Blvd., STE 140	Elk Grove	CA	95758	916-230-6977	4 Units – 2 in CA 2 in NV
Divine Halo LLC	3279 Daniels Rd Suite 106	Winter Garden	FL	34787	407-437-4607	4 Units
All About the Llamas LLC	170 Fountains Way, Bldg 3, Suite 4	St Johns	FL	32359	904-607-2969	4 Units
Llama Enterprise LLC	2 Town Square Blvd #130	Asheville	NC	28803	540-808-8725	4 Units
Dolly Llama LV LLC	4632 S Maryland Pkwy #12	Las Vegas	NV	89119	702-379-9251	6 Units, 1 opened 2022
Golly Llama, Inc.	137 1st Ave, #2	New York	NY	10003	917-523-0052	
Talaga LLC	505 9th Ave	Myrtle Beach	SC	29577	843-845-8126	
Clyde Ventures LLC	1483 N Hwy 17 Suite I	Mt. Pleasant	SC	29464	702-378-3965	2 Units
D&A Desserts LLC	7600 N 10th St 800 STE L	McAllen	TX	78504	956-638-1854	4 Units
Jatana Group LLC	8920 Metropark Dr. STE 800	Shenandoah	TX	77385	832-515-6829	4 Units
Judson's Sweets LLC	8400 Preston Rd, Suite 150	Plano	TX	75024	903-521-6697	3 Units, 2 in TX, 1 in UT
Llamazingwaffle LLC	3569 Business Center Dr., Suite 140	Pearland	TX	77584	713-387-9170	4 Units
Sweet Baby Shine LLC	13370 FM 1488 Suite 104	Magnolia	TX	77354	832-594-9341	4 Units

Below lists the names of all company and affiliate owned franchises and the addresses and telephone numbers of their outlets as of December 31, 2022.

Name	Address	City	State	zip	Phone
The Jolly Llama, LLC	611 S. Spring Street	Los Angeles	CA	90014	916-230-6977
The Jolly Llama, LLC	273 S. Western Avenue	Los Angeles	CA	90004	904-834-7576
The Jolly Llama, LLC	14545 Ventura Boulevard	Sherman Oaks	CA	91403	843-845-8126

Below lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled or not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of

this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. – None.

**Confidentiality Agreements:**

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

**Associations and/or Organizations:**

There are no trademark-specific franchisee organization associated with the franchise system being offered which we have created, sponsored or endorsed.

There are no independent franchisee organizations that have asked to be included in this disclosure document.

**ITEM 21  
FINANCIAL STATEMENTS**

Attached to the Disclosure Document as Exhibit A are our audited financial statements as of December 31, 2022. Our Fiscal Year End is December 31.

Attached to the Disclosure Document as Exhibit A-1 are our unaudited financial statements as of March 31, 2023. These financial statements in Exhibit A-1 are prepared without an audit. Prospective Franchisees or Sellers of Franchises should be advised that no certified public accountant had audited these figures or expressed his/her opinion with regard to the content or form.

The Franchisor has not been in business for three (3) years or more and cannot include all financial statements in this Item 21 as required by the Rule.

**ITEM 22  
CONTRACTS**

Attached to this Disclosure Document are the following contracts:

Exhibit B	Franchise Agreement
Attachment I	Fee, Premises and Territory Addendum
Attachment II	Electronic Payment Authorization
Attachment III	Proposed Trade Name and Delegation of Authority
Attachment IV	Confidentiality and Covenant Not To Compete Agreement
Attachment V	Full and Final Mutual Release
Attachment VI	Collateral Assignment of Telephone Numbers
Attachment VII	Internet Web Sites and Listings Agreement
Attachment VIII	Collateral Assignment of Lease
Attachment IX	Americans with Disabilities Act
Attachment X	Personal Guaranty
Exhibit F	Area Development Agreement
Attachment F-ADA	ADA Locations, ADA Fee, ADA Schedule And Expiration Date

**ITEM 23  
RECEIPT**

Included as the last document of this Disclosure Document is a detachable Receipt to be signed by you.

# EXHIBIT A



**DL FRANCHISE GROUP LLC**

## **FINANCIAL STATEMENTS**

# **EXHIBIT A**

DL FRANCHISE GROUP LLC

## **AUDITED FINANCIAL REPORT**

**For the years ending December 31, 2022, December 31, 2021, and December 31, 2020**

**DL FRANCHISE GROUP, LLC**  
**FINANCIAL STATEMENTS**  
**AS OF**  
**DECEMBER 31, 2022 AND 2021**  
**AND FOR THE YEARS ENDED**  
**DECEMBER 31, 2022, 2021, AND 2020**

DL FRANCHISE GROUP, LLC

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## **INDEPENDENT AUDITORS' REPORT**

To the Members of  
DL Franchise Group, LLC

### **Opinion**

We have audited the accompanying financial statements of DL Franchise Group, LLC (a California company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, members' equity (deficit), and cash flows for the years ended December 31, 2022, 2021, and 2020, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DL Franchise Group, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years ended December 31, 2022, 2021, and 2020 in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of DL Franchise Group, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Correction of Error**

As discussed in Note A to the financial statements, adjustments were made to the December 31, 2020, financial statements to correct an error to consulting fees expense. Our opinion is not modified with respect to that matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about DL Franchise Group, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

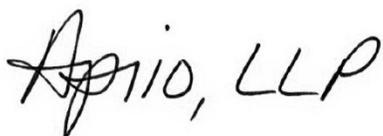
### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DL Franchise Group, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about DL Franchise Group, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in black ink that reads "Aptio, LLP". The signature is written in a cursive, flowing style.

Birmingham, Alabama  
June 14, 2023

DL FRANCHISE GROUP, LLC  
BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021

<u>ASSETS</u>		
	<u>2022</u>	<u>2021</u>
<u>Current assets</u>		
Cash	\$ 688	\$ 422
Accounts receivable - trade, net	2,402	-
Due from related party	85,781	-
Deferred contract costs - current	<u>5,200</u>	<u>5,200</u>
Total current assets	<u>94,071</u>	<u>5,622</u>
<u>Property and equipment, at cost</u>		
Machinery and equipment	5,543	5,543
Less accumulated depreciation	<u>(2,152)</u>	<u>(1,509)</u>
Total property and equipment, net	<u>3,391</u>	<u>4,034</u>
<u>Other assets</u>		
Deferred contract costs - non-current	<u>39,333</u>	<u>44,533</u>
Total assets	<u>\$ 136,795</u>	<u>\$ 54,189</u>
<u>LIABILITIES AND MEMBERS' EQUITY (DEFICIT)</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 29,919	\$ 7,499
Deferred revenue - current	51,333	13,000
Due to related party	<u>-</u>	<u>2,136</u>
Total current liabilities	<u>81,252</u>	<u>22,635</u>
<u>Long-term liabilities</u>		
Deferred revenue, net of current portion	<u>449,750</u>	<u>111,333</u>
<u>Members' equity (deficit)</u>		
	<u>(394,207)</u>	<u>(79,779)</u>
Total liabilities and members' equity (deficit)	<u>\$ 136,795</u>	<u>\$ 54,189</u>

See auditors' report and accompanying notes

DL FRANCHISE GROUP, LLC  
 STATEMENTS OF OPERATIONS  
 FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>Revenue</u>	\$ 57,467	\$ 5,667	\$ -
<u>Operating expenses</u>			
Bank charges	945	140	170
Legal fees	35,482	8,985	6,161
Advertising	82,170	26,608	6,384
Repairs and maintenance	1,089	539	-
Depreciation	643	643	643
Licensing fees	2,078	1,936	926
Franchise expense	22,090	-	-
Travel expenses	20,161	-	-
Supplies expenses	11,328	-	-
Consulting and professional fees	<u>208,917</u>	<u>53,647</u>	<u>20,318</u>
Total operating expenses	<u>384,903</u>	<u>92,498</u>	<u>34,602</u>
Loss from operations	(327,436)	(86,831)	(34,602)
<u>Other income (expense)</u>			
Miscellaneous expense	(344)	(152)	(10)
Dues and subscriptions	<u>(6,043)</u>	<u>-</u>	<u>-</u>
Total other expense	<u>(6,387)</u>	<u>(152)</u>	<u>(10)</u>
Loss before provision for state taxes and fees	(333,823)	(86,983)	(34,612)
Provision for state taxes and fees	<u>(800)</u>	<u>(1,833)</u>	<u>-</u>
Net loss	<u>\$ (334,623)</u>	<u>\$ (88,816)</u>	<u>\$ (34,612)</u>

See auditors' report and accompanying notes

DL FRANCHISE GROUP, LLC  
 STATEMENTS OF MEMBERS' EQUITY (DEFICIT)  
 FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020

MEMBERS' EQUITY - December 31, 2019	\$	5,449
Member Contributions		33,200
Net Loss, as reported		<u>(35,991)</u>
MEMBERS' EQUITY - December 31, 2020, as reported		2,658
Prior period adjustment - See Note A		<u>1,379</u>
MEMBERS' EQUITY - December 31, 2020, as restated		4,037
Member Contributions		5,000
Net Loss		<u>(88,816)</u>
MEMBERS' EQUITY - December 31, 2021		(79,779)
Member Contributions		20,195
Net Loss		<u>(334,623)</u>
MEMBERS' DEFICIT - December 31, 2022	\$	<u>(394,207)</u>

See auditors' report and accompanying notes

DL FRANCHISE GROUP, LLC  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>Cash flows from operating activities</u>			
Net loss	\$ (334,623)	\$ (88,816)	\$ (34,612)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation	643	643	643
Change in operating assets and liabilities:			
Accounts receivable	(2,402)	-	-
Inventory	-	-	27,970
Deferred contract costs	5,200	(49,733)	-
Accounts payable	22,420	(2,001)	(11,800)
Deferred revenue	376,750	124,333	-
Due to (from) related party, net	<u>(87,917)</u>	<u>2,500</u>	<u>(9,942)</u>
Total adjustments	<u>314,694</u>	<u>75,742</u>	<u>6,871</u>
Cash used by operating activities	(19,929)	(13,074)	(27,741)
<u>Cash flows from financing activities</u>			
Members' capital contributions	<u>20,195</u>	<u>5,000</u>	<u>33,200</u>
Cash provided by financing activities	<u>20,195</u>	<u>5,000</u>	<u>33,200</u>
Net increase (decrease) in cash and cash equivalents	266	(8,074)	5,459
Cash, beginning of the year	<u>422</u>	<u>8,496</u>	<u>3,037</u>
Cash, end of year	<u>\$ 688</u>	<u>\$ 422</u>	<u>\$ 8,496</u>

See auditors' report and accompanying notes

DL FRANCHISE GROUP, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022, 2021, AND 2020

**Note A**  
Summary of Significant Accounting Policies

Nature of Operations:

DL Franchise Group, LLC, a limited-liability company, was formed on September 7, 2018, in the state of California. The Company's principal purpose is to offer and sell franchises that feature freshly prepared artisan waffles paired with ice cream and a variety of toppings and sauces, signature milkshakes and other beverages across the United States. The Company offers two different franchises - Single Shop Program and Area Development Program.

The Company's marketing of the Dolly Llama Waffle Master franchise concept is the focus of management and they expect to continue selling franchises in the future. These sales will generate positive cash flow and additional revenues to support the Company's operations as the concept continues to gain traction and interest from potential franchisees.

Prior Period Adjustment:

In the previously issued financial statements as of and for the period ended December 31, 2020, the Company did not properly record certain payables. The financial statements as of and for the period ended December 31, 2020, have been restated to correct the aforementioned error. The effect of the restatement was to decrease net loss for 2020 by \$1,379. The following table summarizes the impact on the 2020 financial statements:

	Previously Reported	Prior Period Adjustment	As Restated
Income Statement:			
Consulting fees expense	\$ 21,697	\$ (1,379)	\$ 20,318

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents:

For the purpose of the statements of cash flows, the Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk Arising From Cash Deposits in Excess of Insured Limits:

The Company maintains cash balances at one financial institutions. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. From time to time, the Company's cash balance exceeds such limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant risks on cash.

DL FRANCHISE GROUP, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022, 2021, AND 2020

**Note A**  
**Summary of Significant Accounting Policies (Continued)**

Accounts Receivable - Trade:

The Company extends credit to customers located primarily throughout North America based on the size of the customer, its payment history, and other factors. The Company generally does not require collateral to support customer receivables. The Company provides an allowance for doubtful accounts based upon a review of the outstanding accounts receivable, historical collection information and existing economic conditions. The Company determines if receivables are past due based on days outstanding, and amounts are written off when determined to be uncollectible by management. The maximum accounting loss from the credit risk associated with accounts receivable is the amount of the receivable recorded, which is the face amount of the receivable, net of the allowance for doubtful accounts.

Property and Equipment:

Property and equipment are stated at cost. Expenditures for maintenance and repairs are expensed currently, while renewals and betterments that materially extend the life of an asset are capitalized. The cost of assets sold, retired, or otherwise disposed of, and the related allowance for depreciation are eliminated from the accounts, and any resulting gain or loss is recognized.

Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets, which are as follows:

Machinery and equipment	7 - 10 Years
-------------------------	--------------

Depreciation expense for the years ended December 31, 2022, 2021 and 2020, totaled \$643, \$643, and \$643, respectively

Revenue Recognition:

Revenues are recorded when: (i) a contract with a client has been identified, (ii) the performance obligation(s) in the contract have been identified, (iii) the transaction price has been determined, (iv) the transaction price has been allocated to each performance obligation in the contract, and (v) the Company has satisfied the applicable performance obligation.

Initial franchise fees - The Company charges each new franchisee an initial fee to be paid at the signing of the franchise agreement in order to establish the franchisee's business and allow the use of the Company's brand. As it is interrelated with the Company brand itself, the Company has determined that it will satisfy this performance obligation and recognize franchise fee revenue over the term of the franchise agreements. The Company sold ten franchises during the year ended December 31, 2022. As of December 31, 2022, 2021 and 2020, the Company had fourteen, four, and zero franchisees signed, respectively. Initial franchise fee revenue was \$33,250, \$5,667 and \$- for the years ended December 31, 2022, 2021 and 2020, respectively.

DL FRANCHISE GROUP, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022, 2021, AND 2020

**Note A**

**Summary of Significant Accounting Policies (Continued)**

Store royalty fees - The Company charges royalties to each franchisee for continued use of the Company brand. Royalties are collected on a weekly basis, based on 6% of the franchisees' gross sales, and are recognized at the time of the underlying sales. Store royalty revenue was \$20,689, \$- and \$- for the years ended December 31, 2022, 2021 and 2020.

Marketing assistance fees - The Company provides marketing assistance services to franchisees for the duration of the franchise agreement. Marketing fees are collected on a weekly basis, based on up to 3% of the franchisees' gross sales, and are recognized at the time of the underlying sales. Marketing assistance revenue was \$3,528, \$- and \$- for the years ended December 31, 2022, 2021 and 2020.

**Deferred Revenue and Deferred Contract Cost:**

Deferred revenue represents a contract liability which are amounts received from franchisees for which performance obligations will be transferred in the future. Deferred contract costs represent certain costs to obtain and fulfill franchise contracts that the Company expects to recover. Costs to obtain contracts include sales commissions and other incremental costs that would not have been incurred if the contract had not been obtained. Costs to fulfill contracts include direct costs that generate or enhance resources used to satisfy the Company's performance obligations under the contracts in the future. When the expected amortization period is more than one year, the Company recognizes an asset for costs to obtain or fulfill the contracts, amortizes the asset over the life of the contracts on the same basis that the related revenue is recognized, and assesses the asset for impairment at each reporting date.

**Advertising:**

The Company expenses advertising costs as incurred. Advertising expenses were \$82,170, \$26,608, and \$6,384 for the years ended December 31, 2022, 2021, and 2020, respectively

**Income Taxes:**

The Company has elected Limited Liability Company status under the Internal Revenue Code. Accordingly, the Company's taxable income is includable in the personal tax returns of their members. As such, no provision for income taxes has been made in the accompanying financial statements. A fee is paid to the state of California based on gross receipts. The California fees and taxes for the years ended December 31, 2022, 2021, and 2020, were \$800, \$1,833 and \$-, respectively.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the company and recognize a tax liability (or asset) if the Company has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Company, and has concluded that as of December 31, 2022 and 2021, there were no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Company is subject to routine audits by taxing and other jurisdictions. However, there are currently no audits in progress for any prior tax periods. Generally, the Company is subject to examination by U.S. federal (or state and local) income tax authorities for three years from the filing of a tax return.

DL FRANCHISE GROUP, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022, 2021, AND 2020

**Note B**  
**Accounts Receivable**

The Company's trade receivables arise from royalties and other revenue due from franchisees. Royalties receivable were \$2,402 and \$- as of December 31, 2022 and 2021, respectively.

**Note C**  
**Concentrations**

**Significant Vendor:**

A significant vendor is defined as one from which the company receives at least 10% of its total purchases. For the years ended December 31, 2022, 2021 and 2020, the Company had purchases from one, two, and four vendors, totaling \$154,000, \$34,000 and \$31,863, respectively. These purchases comprised approximately 40%, 36% and 94% of the Company's annual expenditures for the years ended December 31, 2022, 2021 and 2020, respectively.

There were no accounts payable balances related to these vendors at December 31, 2022 and 2021.

**Significant Customer:**

A significant customer is defined as one from whom at least 10% of annual revenue is derived. For the years ended December 31, 2022 and 2021, the Company had revenues from two and four franchisees, totaling \$28,196 and \$5,667, respectively. There were no significant customers for the year ended December 31, 2020. Revenues from these franchisees comprised approximately 49% and 100% of annual revenues for the years ended December 31, 2022 and 2021, respectively.

The accounts receivable balance included \$2,402 and \$- from these franchisees at December 31, 2022 and 2021, respectively.

**Note D**  
**Related Party Transactions**

The Company has a related party relationship with entities under common ownership, The Dolly Llama, LLC, and TDL Logistics, LLC. For the years ended December 31, 2022 and 2021, the companies processed orders for supplies, made payments for consulting services, and shared maintenance expenses on equipment. As of December 31, 2022 and 2021, the Company's net due (to) from related party balance totaled \$85,781 and \$(2,136), respectively.

DL FRANCHISE GROUP, LLC  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2022, 2021, AND 2020

**Note E**  
**Revenue from Contracts with Customers**

Deferred Revenues:

Contract liabilities consist of deferred revenue, which represents unearned revenue generated from the sale of new franchises and the approval of new franchisee locations. Franchise fee and development fee revenues are recognized when performance obligations are satisfied. Management determined that performance obligations related to franchise fees are satisfied over time, and revenue is recognized on a straight-line basis over the term of the underlying franchise agreement. These contract liabilities are classified as deferred revenue on the balance sheets. The following table reflects the change in contract liabilities between December 31, 2022 and 2021:

Balance at December 31, 2021	\$	124,333
Revenue recognized that was included as a contract liability at the beginning of the year		-
Increase, excluding amounts recognized as revenue during the year		410,000
Revenue recognized from contracts executed during the year		<u>(33,250)</u>
Balance at December 31, 2022	\$	<u>501,083</u>

The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2022:

<u>Year Ending December 31,</u>		
2023	\$	51,333
2024		54,000
2025		54,000
2026		54,000
2027		54,000
Thereafter		<u>233,750</u>
	\$	<u>501,083</u>

Deferred Costs:

Deferred costs consist primarily of from commissions paid to third parties by the Company for locating and obtaining franchisees which are generally recognized on a straight-line basis over the pre-opening term of the underlying franchise agreement.

DL FRANCHISE GROUP, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022, 2021, AND 2020

**Note E**  
**Revenue from Contracts with Customers (Continued)**

The following table illustrates estimated expenses expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2022:

<u>Year Ending December 31,</u>	
2023	\$ 5,200
2024	5,200
2025	5,200
2026	5,200
2027	5,200
Thereafter	<u>18,533</u>
	<u>\$ 44,533</u>

**Note F**  
**Reclassification**

Certain items in the 2021 financial statement presentation have been reclassified to conform to the 2022 presentation. Such reclassifications have no effect on previously reported net income.

**Note G**  
**Subsequent Events**

The Company evaluated subsequent events through June 14, 2023, which is the date the financial statements were available to be issued, and concluded no events or transactions occurred during the period requiring additional recognition or disclosure.

**EXHIBIT A-1**

**DL FRANCHISE GROUP LLC**

**UNAUDITED FINANCIAL REPORT**

**FOR THE PERIOD JANUARY 1, 2023, THROUGH MARCH 31, 2023**

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

9:00 AM  
06/09/23  
Accrual Basis

DL Franchise Group LLC  
**Balance Sheet**  
As of March 31, 2023

	<u>Mar 31, 23</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
Wells Fargo-Checking Acct	1,243.77
<b>Total Checking/Savings</b>	<u>1,243.77</u>
Accounts Receivable	
11000 - Accounts Receivable	32,275.80
<b>Total Accounts Receivable</b>	<u>32,275.80</u>
<b>Other Current Assets</b>	
Due from TDL Logistic LLC	127,594.19
Deferred Cost - Current	5,200.00
<b>Total Other Current Assets</b>	<u>132,794.19</u>
<b>Total Current Assets</b>	<u>166,313.76</u>
<b>Fixed Assets</b>	
Equipment	5,543.28
Accumulated Depreciation	-2,152.04
<b>Total Fixed Assets</b>	<u>3,391.24</u>
<b>Other Assets</b>	
Deferred Cost - Long Term	39,333.00
<b>Total Other Assets</b>	<u>39,333.00</u>
<b>TOTAL ASSETS</b>	<u><u>209,038.00</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	
Accounts Payable	29,919.00
<b>Total Accounts Payable</b>	<u>29,919.00</u>
<b>Other Current Liabilities</b>	
Deferred Franchise Revenue-Cur	51,333.00
Due to The Dolly Llama	32,785.56
<b>Total Other Current Liabilities</b>	<u>84,118.56</u>
<b>Total Current Liabilities</b>	<u>114,037.56</u>
<b>Long Term Liabilities</b>	
Deferred Franchise Revenue-L/T	449,750.00
<b>Total Long Term Liabilities</b>	<u>449,750.00</u>
<b>Total Liabilities</b>	<u>563,787.56</u>
<b>Equity</b>	
Members' Capital	
Eric Shomof	-394,206.02
<b>Total Members' Capital</b>	<u>-394,206.02</u>
<b>Net Income</b>	<u>39,456.46</u>
<b>Total Equity</b>	<u>-354,749.56</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>209,038.00</u></u>

DL Franchise Group LLC

Profit & Loss

January through March 2023

Accrual Basis

Jan - Mar 23

Ordinary Income/Expense

Income	
Advertising Income	2,532.97
Area Development Fee	30,000.00
Franchise Revenue	60,000.00
Royalties	15,576.44
Total Income	<u>108,109.41</u>
Gross Profit	<u>108,109.41</u>
Expense	
Advertising and promotion	16,064.55
Bank Charges	95.00
Commission Expense	21,000.00
66000 - Contract Labor	4,600.00
Insurance	1,428.00
Dues and Subscriptions	1,146.38
Marketing	11,118.50
Project Management Services	9,500.00
Professional Fee	
Legal Fees	7,141.78
Total Professional Fee	<u>7,141.78</u>
Rent	8,805.00
Repairs and Maintenance	3,628.41
Utilities	
Electric	989.97
Total Utilities	<u>989.97</u>
Total Expense	<u>85,517.59</u>
Net Ordinary Income	<u>22,591.82</u>
Other Income/Expense	
Other Income	
Interest Income	1.64
Total Other Income	<u>1.64</u>
Net Other Income	<u>1.64</u>
Net Income	<u><u>22,596.74</u></u>

Page 1

**EXHIBIT B**

**FRANCHISE AGREEMENT**



**DL FRANCHISE GROUP LLC**

**Franchisee:** \_\_\_\_\_  
**Date:** \_\_\_\_\_  
**Territory:** \_\_\_\_\_

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## FRANCHISE AGREEMENT

This Franchise Agreement (the “Agreement”) is entered into and effective this day of \_\_\_\_\_, between DL FRANCHISE GROUP LLC, a California limited liability company, located at 724 S. Spring Street, #800, Los Angeles, California 90014 (“Franchisor”), and \_\_\_\_\_, (“Franchisee”), with its office at \_\_\_\_\_.

In consideration of the mutual promises in this Agreement, the parties agree as follows:

### 1. DEFINITIONS

1.01 “Approved Location” means the location of the Outlet as identified in Attachment I of this agreement, to be operated within the Territory.

1.02 “Assets” means the Outlet, including all inventories, supplies, furnishings, equipment, fixtures, land, buildings and improvements, and other tangible items.

1.03 “Business” means the right which is granted to Franchisee to operate a The Dolly Llama Outlet as set forth in this Agreement.

1.04 “Business Records” means evidence of each business transaction, and all financial, marketing, and other operating aspects of the Outlet, and all evidence and records with respect to customers, clients, employees, and other service professionals relating the Outlet including, without limitation, all databases in print, electronic or other form, including all names, addresses, phone numbers, e-mail addresses, customer/client records, and all other records contained in the database, and all other records created and maintained by Franchisee in operation of the Outlet.

1.05 “Confidential Information” means all methods for establishing, operating and promoting the Outlet pursuant to the Franchisor’s distinctive business format, plans, methods, data, processes, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, Marks and information and know-how of the Franchisor and such other information as may be further developed periodically by the Franchisor.

1.06 “Designated Marketing Area” means that area included in a Regional Marketing Co-Operative.

1.07 “Designated Territory” means the territory described in Attachment I to this Agreement, subject to any reservations or exceptions contained in this Agreement.

1.08 “Franchise” means the DLFG which Franchisee is granted the right to operate in conformity with the requirements of this Agreement.

1.09 “Gross Sales” means the total of all receipts derived from gross sales receipts, whether the receipts are evidenced by cash, credit, checks, services, property, or other means of exchange. “Gross Sales” shall exclude only sales tax receipts that Franchisee must by law collect from customers and that Franchisee pays to the government, promotional or discount coupons to the extent

that Franchisee realizes no revenue, and employee receipt of services, if free, or any portion not paid for by an employee.

1.10 “Manual” means Franchisor’s operations manual and other written materials, including information posted on Franchisor’s Web site and information sent to or accessed by Franchisee in print or electronic form, manuals, written procedures, memoranda and their supplements loaned to Franchisee by Franchisor.

1.11 “Marks” means Franchisor’s trade names, trademarks, service marks, logos, decor, trade dress, lay out, and commercial symbols, and similar and related words or symbols, now or in the future associated with Franchisor, the System or the Outlet, whether or not they are registered, including, but not limited to, “The Dolly Llama.”

1.12 “Multi-Area Marketing Program” (MAM Programs) means a regional, national, or international program designed to increase business, such as marketing to multi-area customers, Internet, shows, events, yellow pages, directories, affinity marketing, vendor programs, and co-branding programs. Such programs may require Franchisee’s cooperation and participation, including refraining from certain channels of marketing and distribution, and payment of commissions or referral fees. Franchisee must also adhere to maximum pricing to the extent permitted by law. All such programs are Trade Secrets of Franchisor.

1.13 “National Marketing Fund” means the separate bank account used by Franchisor for the purposes specified in this Franchise Agreement. The Marketing Fund is not a trust or escrow account and is managed by Franchisor in its sole discretion.

1.14 “Premises” means the one Approved Location within the Designated Territory and as described in Attachment I at which Franchisee may operate the Outlet using the System.

1.15 “Regional Advertising Cooperative” means an advertising cooperative made up of franchisees who are located in or near Designated Marketing Areas, as determined by Franchisor, and managed by franchisees elected by the group. The cooperative, if established, may adopt its own written governing regulations, which you must follow but these regulations are subject to consent by us. These regulations will be made available to the Franchisee upon written request.

1.16 “System” means, collectively, Franchisor’s valuable know how, information, trade secrets, methods, Manuals, standards, designs, methods of trademark usage, copyrightable works, sources and specifications, software, confidential electronic and other communications, methods of Internet usage, marketing programs, and research and development connected with the operation and promotion of the Outlet, as modified by Franchisor at any time.

1.17 “Trade Secret” is the whole or any portion of know-how, knowledge, methods, specifications, processes, procedures, and improvements regarding the System that is valuable and secret in the sense that it is not generally known to competitors of Franchisor.

1.18 “Transfer” means to voluntarily or involuntarily transfer, assign, sell, or encumber any interest in or ownership or control of, the Outlet, substantial assets of the Outlet, or of this Agreement.

## **2. GRANT OF FRANCHISE**

2.01 Grant of License. Subject to the terms and conditions of this Agreement, Franchisor grants to Franchisee an exclusive license to operate a Franchise as designated in Attachment I to this Agreement and described in Section 4, using the System and the Marks for the term of this Agreement. Franchisee may use the Marks and System only in accordance with the terms and conditions of this Agreement.

2.02 Modification of System. Franchisor reserves the right to periodically change, improve, or further develop the System, or any part of the System. Franchisee must promptly accept and comply with any change to the System and make any reasonable expenditure as necessary to comply. Franchisor will not alter these basic rights and obligations of the parties arising under this Agreement through changes in the Manual.

## **3. TERM AND RENEWALS**

3.01 Term of Agreement. This Agreement begins on the date executed by both parties and will continue for a period of ten (10) years, unless earlier terminated as provided under this Agreement.

3.02 Rights Upon Expiration. At the end of the term of this Agreement, Franchisee may renew its license for one successive period of ten (10) years, provided Franchisor does not exercise its rights of refusal as set forth below.

3.03 Right of Refusal to Renew. Franchisor may refuse, in Franchisor's sole discretion, to renew Franchisee's license if Franchisee:

- a) fails to remedy, in the time frame set forth in this Agreement, any breach of this Agreement specified by Franchisor in a written notice;
- b) has committed two (2) or more material breaches of this Agreement in the preceding twenty-four (24) months prior to expiration;
- c) fails to give notice of Franchisee's intent to renew at least six (6) months, but no more than twelve (12) months, prior to the expiration of this Agreement. Failure to give timely notice will be considered an election not to renew this Agreement; or
- d) is not current in payment obligations to Franchisor or its subsidiaries and affiliates and to trade creditors, landlords, or mortgage holders at the time Franchisee delivers its notice of renewal or on the date this Agreement is scheduled to expire.

If Franchisor intends not to renew Franchisee's license, Franchisor shall give Franchisee at least one-hundred fifty (150) days' notice of non-renewal prior to expiration of the term.

3.04 Renewal Agreement. Franchisee must execute a renewal franchise agreement and all other legal agreements in Franchisor's then-current form for new franchisees. These agreements may vary in material aspects from this Agreement, including, but not limited to, higher royalty and advertising fees. Franchisee must also make capital expenditures that are reasonably required for the renovation and modernization of the Franchise, signs, or any other required equipment to reflect the then-current image of Franchisor.

3.05 Renewal Fee. Upon signing a renewal franchise agreement, Franchisee will not be required to pay another Initial Franchise Fee but will be required to pay the then-current renewal fee.

#### 4. TERRITORY

4.01 Approved Location. Franchisee may operate the Outlet only at the Premises (Approved Location) as designated in Attachment I to this Agreement. The specific street address of the Approved Location accepted by us shall be set forth in Attachment I when such Location is determined. You shall not be permitted to relocate the Approved Location to another location without our written permission, which shall not be unreasonably denied. This Agreement does not grant to you the right or license to operate the Outlet or to offer or sell any products or services described under this Agreement at or from any location other than the Approved Location.

4.02 Designated Territory. Provided you are in compliance with your Franchise Agreement, and subject to the Non-Traditional sites that are reserved as stated below, during the term of this Agreement and any extensions, Franchisor will not own, operate, license or franchise an Outlet for the operation of any other Franchise within the Designated Territory as designated in Attachment I to this Agreement. Once established, and unless otherwise agreed in writing, the boundaries of Franchisee's Designated Territory will not be adjusted without Franchisor's written consent regardless of whether the population of Franchisee's Designated Territory increases or decreases over time. You agree to conduct all catering and delivery activities in accordance with the procedures that we have specified in the Manual or otherwise in writing, and the revenue from those orders will be considered to be part of your store's Gross Sales. Among other things, you agree not to engage in catering or delivery services outside of your Territory using your own vehicle, unless you have obtained our prior written consent as to each such proposed delivery order. By granting approval to any one or more proposals to provide catering or delivery service outside of your Territory, we will not be deemed for such approval to include any future requests.

4.03 Limits on Where You May Sell. You may offer and sell products to customers for consumption on the Outlet premises for personal or carry-out consumption: (a) from the Approved Location; and (b) in accordance with the requirements of this Agreement and the procedures set forth in the Operations Manual.

- (a) You may not sell products to customers outside your Designated Territory without our express written permission and with the following exception. If no other The Dolly Llama franchisee is adjacent to your Territory, you may deliver product and/or provide catering services to those customers outside your Territory. However, you may not deliver products and/or provide catering services to customers in another The Dolly Llama franchisee's Designated Territory nor will you receive any preferential right to continue to offer such products or services to such customers once a Designated Territory has been established for an adjacent The Dolly Llama franchisee.
- (b) You may only provide delivery and/or catering services using your own delivery service vehicle to addresses within your Designated Territory. Because a retail customer may choose to use a third-party delivery service, those deliveries are exempt from this the Territory restriction.

(c) You agree not to offer or sell products through any means other than as provided above; and therefore, for example, you agree not to offer or sell products from satellite locations, temporary locations, carts or kiosks, by use of catalogs, the Internet, or through any other digital format or print media unless specifically approved by us in writing.

#### 4.04 Non-Traditional Location and Our Reservation of Rights

- (a) Nothing in this Agreement will prohibit us from:
- (i) operating, licensing and/or franchising others to operate outlets identified in whole or in part by the Proprietary Marks and/or utilizing the System in the Designated Territory that are located in gas stations or convenience stores; transportation facilities, including airports, train stations, subways and rail and bus stations; military bases and government offices; sports facilities, including stadiums and arenas; amusement parks, zoos and convention centers; car and truck rest stops and travel centers; educational facilities; recreational theme parks; hospitals; business or industrial foodservice venues; venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider; Indian reservations; casinos; or any similar captive market location not reasonably available to you. The above reserved locations being defined as “Non-Traditional Sites”;
  - (ii) awarding national, regional or local licenses to third parties to sell products under our Proprietary Marks in foodservice facilities primarily identified by the third party’s trademark;
  - (iii) merchandising and distributing products identified by our Proprietary Marks in the Designated Territory through any method or channel of distribution other than through the operation of an outlet, including distribution of proprietary products through grocery stores, club stores and similar stores;
  - (iv) selling and distributing products identified by our Proprietary Marks in the Designated Territory to restaurants other than The Dolly Llama outlets identified by our Proprietary Marks, provided those restaurants are not licensed to use our Proprietary Marks in connection with their retail sales;
  - (v) selling products and services through other channels of distribution, including the internet, wholesale, mail order and catalogue;
  - (vi) developing and/or owning other franchise systems for the same or similar products and services using trade names and trademarks other than our Proprietary Marks; and
  - (vii) purchasing, being purchased by, merging or combining with, businesses that we deem to offer direct competition to The Dolly Llama Outlets.
  - (viii) Unless otherwise stated, you understand and acknowledge that if any Non-Traditional Site (as described above) is located within the physical boundaries of your Designated Territory, then the Non-Traditional Site will not be included in your Designated Territory, and you will have no rights to this Non-Traditional Site.
- (b) This Section 4.03 does not prohibit us or our affiliates from:
- (i) operating, licensing and/or franchising others to operate, operate, The Dolly Llama Outlets at any location outside of the Designated Territory;

- (ii) operating, licensing and/or franchising others to operate, after this Agreement terminates or expires, The Dolly Llama Outlets at any location, including locations inside the Designated Territory; and
  - (iii) operating, licensing and/or franchising others to operate at any location, during or after the Initial Term or any renewal of the initial Term, any type of non-competing business other than a The Dolly Llama Outlet.
- (c) The restrictions contained in this section do not apply to The Dolly Llama Outlets in operation, under lease or construction or other commitment to open in the Designated Territory as of the Effective Date.

4.05 Except as expressly limited, we and our affiliates have the right to conduct any non-competing business activities, under any name, in any geographic area and at any location, regardless of the proximity to the Approved Location or the economic effect on your Outlet or activities under this Agreement.

4.06 Forms of Agreement. You acknowledge that, over time, we have entered, and will continue to enter, into agreements with other franchisees that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that we and other franchisees may have different rights and obligations does not affect our or your duties to comply with the terms of this Agreements.

## 5. FEES AND ROYALTIES

5.01 Payment of Fees and Royalties. All payments required under this Section are imposed by and payable to Franchisor and are non-refundable except as expressly provided below. All payments must be made by any method Franchisor reasonably specifies, including check, cash, certified check, money order, credit or debit card, automatic pre-authorized payment plan, electronic funds transfer, or payment in advance. Franchisee must sign an Authorization for Electronic Withdrawal, set forth as Attachment II, and Franchisor may require Franchisee to submit any payments electronically. All payments to Franchisor and dollar amounts stated in this Agreement are in U.S. dollars unless otherwise expressed. Franchisor will not require Franchisee to deposit all Franchisee's revenue into an account that Franchisor controls, or from which withdrawals may be made only with Franchisor's consent, except to secure a loan or financing arrangement by Franchisor.

5.02 Initial Franchise Fee. Franchisee must pay an initial franchise fee ("Initial Franchise Fee") upon the signing of this Agreement as set forth in Attachment I. The Initial Franchise Fee is \$30,000. If Franchisee signed an Area Development Agreement, the Initial Franchise Fee for each subsequent Unit will be indicated in Attachment A to the ADA and due upon signing the then current Franchise Agreement. These subsequent agreements will be signed, and the Fees will be paid according to the ADA Schedule, which is no later than the ending of the Development Period for the previous Unit. The Initial Franchise Fee is fully earned upon payment and is non-refundable under any circumstances.

5.03 Royalties. Franchise must pay to Franchisor a monthly royalty in the amount of six percent (6%) of Gross Sales for the preceding calendar month ("Royalty Fee"). The Royalty Fee is due to

Franchisor, without notice from Franchisor, on the 5th day of each month. Royalties must be reported in a form specified by Franchisor.

5.04 National Marketing Fund. In addition to the Royalty Fee described in Section 5.03 above, Franchisee agrees to pay to Franchisor a National Marketing Fee (NMF) in an amount equal to one percent (1%) of the Outlets' Gross Sales per month. Such amount shall be contributed to an NMF maintained by us, as described in Section 9 below. The National Marketing Fund Fee is payable to us at the same time and in the same manner as the Royalty Fee.

5.05 Consumer On-line Ordering App. You are required to use our Consumer On-line Ordering App and you will pay the fee for this App to our Affiliate and the Affiliate will pay the vendor. The current fee is \$139 per month but may change based on the vendors' pricing changes.

5.06 Initial Training/Additional Persons/Replacement Personnel. Training for Franchisee the Manager and up to 2 additional employees is included with the Initial Franchise fee. Additional persons may be trained at Franchisor's discretion for a fee of \$250 per person. This fee applies to any new or replacement employees you wish to have trained after the Initial Training. Franchisee is responsible for additional expenses including travel, lodging, meals and wages for those who attend.

5.07 Annual Conferences. We will hold annual conferences either regionally or nationally. Franchisee will pay our then-current conference fee per person attending. Franchisee is responsible for additional expenses including travel, lodging, meals and wages for those who attend.

5.08 Post-Opening On-Site Training. This Fee is \$3,500 and is for 1 person for a 2 day period and includes their travel and lodging expenses. You will incur this fee if we send a company representative to your Outlet beyond the Initial Grand Opening Training. This includes, but is not limited to: (i) the Opening Assistance Team remains at your Outlet for more than 3 days included with the Franchise Fee, or (ii) if you ask us to provide you with an Opening Assistance Team for any subsequent Outlets you purchase under an ADA, or (iii) if you request that we provide additional training at your Outlet for any reason, or (iv) if as the result of an inspection or quality assurance audit we believe that remedial training is necessary, you must pay our fee for each trainer we send to your Outlet, and you must reimburse each trainer's expenses, including travel, lodging, meals and wages.

5.09 Additional Training/Refresher Courses. From time to time, Franchisor may require Franchisee's attendance at additional training and/or refresher training courses. Franchisee will pay the then-current rate per person. Franchisee is responsible for additional expenses including travel, lodging, meals and wages for those who attend.

5.10 Consultation Fee. We may provide regular consultation and advice to you in response to your inquiries regarding administrative and operating issues. You must pay all transportation costs, food, lodging and similar costs that may be incurred by us to provide these services.

5.11 Insufficient Funds Fee. If there are not sufficient funds in your account to permit us to debit the account for the payments you owe us, you will pay to us an insufficient funds fee equal to Two Hundred Dollars (\$200). This fee is in addition to interest on any overdue amount, as described in Section 5.11 below, and any fees charged by your bank. If you incur three (3) insufficient funds fees

within any twelve (12) month period, we may terminate this Agreement without providing you the opportunity to cure the default.

5.12 Late Charges and Other Fees. Unless otherwise stated, Franchisee must pay interest at the rate of one and one-half percent (1.5%) per month for any late payments due under this Agreement, or the maximum interest rate allowed by applicable law, whichever is greater. Franchisee must pay any damages, expenses through appeal, collection costs, and reasonable attorneys' fees Franchisor incurs in connection with Franchisee's failure to make any required payments.

5.13 Liquidated Damages: Franchisee will promptly pay us within 45 days after the effective date of termination liquidated damages equal to the average monthly Royalty Fees you paid or owed to us during the 12 months of operation preceding the effective date of termination multiplied by the number of months remaining in the Agreement had it not been terminated.

5.14 Management Fees.

- (a) If Franchisee commits an event of default under the Franchise Agreement, and Franchisor, in its sole discretion, elects to assume interim management of the Outlet(s) during the pendency of any cure period or in lieu of immediately terminating the Franchise Agreement, Franchisor may charge a fee for management services. This fee also applies if Franchisor steps in and manages the Outlet in certain circumstances, such as death, disability or prolonged absence. Franchisor will charge a management fee of 10% of Gross Sales plus expenses to manage the Outlet.
- (b) If Franchisee fails to maintain the required insurance coverages, Franchisor has the right to obtain insurance on Franchisee's behalf. And Franchisee will pay to Franchisor 10% Administrative Fee and reimburse the costs associated with sourcing the Insurance.

5.15 New Product and Supplier Testing. If Franchisee proposes to purchase any goods or materials from a supplier that has not previously been approved, Franchisee must submit a written request to Franchisor for approval or must request the supplier itself to do so. Franchisor has the right to require, as a condition of approval, that Franchisor's representatives are permitted to inspect the supplier's facilities, and that Franchisee deliver to us and/or to an independent, certified laboratory designated by Franchisor, all information, specifications and samples that Franchisor designates for testing. Franchisee must pay us a fee which will not to exceed the actual cost of the inspection and testing and must pay a deposit of \$1,000 towards those costs upon submission.

5.16 Relocation Fee. If you are unable to continue the operation of the Shop at the Approved Location then you may request our approval to relocate the Shop to another Approved Location within the boundaries of your Designated Territory, If we elect to grant you the right to relocate the Approved Location then you shall comply with the current site selection and construction procedures. When you submit to us your relocation request, you shall pay to us a non-refundable relocation fee in an amount equal to \$2,500.

5.17 Taxes and Debts. Franchisee will promptly pay when due all taxes, fees, debts, expenses, and assessments of the Outlet, including payroll taxes. Franchisee will not permit a tax sale, seizure, levy, execution, bankruptcy, assignment of assets for or by creditors, or similar action to occur.

## 6. MARKS

6.01 Marks. Franchisee must only use the Marks in the conduct of the Outlet's business as specified in this Agreement. Any unauthorized use of the Marks by Franchisee will constitute a breach of this Agreement and an infringement on Franchisor's rights in and to the Marks. As between Franchisor and Franchisee, Franchisor has a prior and superior claim to the Marks, and Franchisee has no rights in the Marks other than the right to use them in the operation of the Outlet in compliance with this Agreement.

6.02 Authorized Marks. Franchisee shall use no trademarks other than "The Dolly Llama" or any other Marks that Franchisor may specify for use in the identification, marketing, promotion, or operation of the Outlet. If Franchisee cannot lawfully use the Marks in the Designated Territory, Franchisee must obtain Franchisor's written approval to use other marks. Franchisee must also follow the copyright guidelines as specified by Franchisor in the Manual and which approval may not be unreasonably withheld, conditioned or delayed. Franchisor will indemnify Franchisee for any claims against misuse or infringement of Marks.

6.03 Change of Marks. Franchisor may add, modify, or discontinue any Marks to be used under the System. Within a reasonable time of receiving written notification of any change, Franchisee must comply with the change, at Franchisee's sole expense unless Franchisor does not control the Marks in which case Franchisor shall bear cost of the Franchisee changing of the Marks.

6.04 Limitations on Franchisee's Use of the Marks. Franchisee must use the Marks as the sole identification of the Outlet but must also identify itself as the independent owner of the Outlet in the manner prescribed by Franchisor. All Marks must be displayed in the manner prescribed by the Franchisor. Franchisee may not use the Marks, or any words or symbols similar to the Marks, alone or with any prefix, suffix, modifying words, terms, designs, or symbols:

- (a) as part of any entity or business name;
- (b) in conjunction with any documents, contracts, licenses, permits and other official documents. Any reference to the Marks in any document must state that Franchisee's use of the Marks is limited by this Agreement;
- (c) in any form on the Internet, including, but not limited to, addresses, domain names, links, metatags, locators, and search techniques;
- (d) in connection with the performance or sale of any unauthorized services or products; or
- (e) in any other manner not expressly authorized by Franchisor.

6.05 Marks on the Internet. Franchisor retains the sole right to use the Marks and market on the Internet, including all use of Web sites, domain names; URL's, linking, advertising, and co-branding arrangements. Franchisee may not establish a presence on the Internet except as we may specify, and only with our prior written consent. Franchisee will provide Franchisor with content for Franchisor's Internet marketing, and Franchisee must sign the Internet and intranet usage agreements when developed by Franchisor. Franchisor retains the right to approve any linking to or other use of DLF's Web site.

6.06 Marks in Advertising. Subject to Section 9.03, Franchisee must obtain Franchisor's prior written approval for any use of any item of printed, audio, visual, Internet, electronic media, or multimedia material of any kind bearing any of the Marks, unless supplied by Franchisor. Franchisee must indicate that it is "independently owned and operated."

6.07 Goodwill. All usage of the Marks by Franchisee and any goodwill associated with the Marks, including any goodwill that might be deemed to have arisen through Franchisee's operation of the Outlet or other activities will inure to the exclusive benefit of Franchisor.

6.08 Infringement. Franchisee must notify Franchisor in writing within three (3) days of obtaining knowledge of any possible infringement or illegal use by others of a trademark which is the same as or confusingly similar to the Marks. Franchisor may, in its sole discretion, commence or join any claim against the infringing party, and bear the reasonable costs associated with the action.

6.09 Signage. As specified by Franchisor, Franchisee must display signage bearing the Marks and identifying the Premises as a Franchise, and signage indicating that the Outlet is independently owned and operated as a Outlet. All signage must remain current with the System's standards as Franchisor may modify periodically.

## **7. MANUAL AND CONFIDENTIAL INFORMATION**

7.01 Confidential Information. The System, the Manual, and other Confidential Information are proprietary, involve Trade Secrets of Franchisor, and are disclosed to Franchisee solely on the express condition that Franchisee agrees, and Franchisee does hereby agree to:

- (a) fully and strictly adhere to all security procedures prescribed by Franchisor, in its sole discretion, for maintaining the Confidential Information as confidential;
- (b) disclose such information to its employees only to the extent necessary to market and for the operation of the Outlet in accordance with this Agreement;
- (c) not use any such information in any other business or in any manner not specifically authorized or approved in writing by Franchisor; and
- (d) exercise the highest degree of diligence and make every effort to maintain the absolute confidentiality of all such information during and after the term of this Agreement, and follow Franchisor's security procedures, which include the execution of approved nondisclosure agreements, and intranet, extranet and Internet usage agreements when developed by Franchisor, by Franchisee and any employee or agent who is allowed access.

7.02 Standards and Authorized Use. Franchisee must maintain strict compliance with the Manual as presently set forth and as subsequently amended and revised.

7.03 Unauthorized Use. Franchisee must not copy or otherwise reproduce any Confidential Information and must establish procedures to prevent unauthorized use by any other person. Unauthorized use of the Manual or the System will constitute a breach of this Agreement and an infringement of our proprietary rights, including trade secrets and copyrights. You must promptly report any unauthorized use of the Manual or other Confidential Information.

7.04 Manual. Franchisor will loan to Franchisee during the term of the franchise one (1) copy of Franchisor's confidential operating Manual, which may be in print, on an access code-protected company intranet or extranet, or through other media. Franchisor reserves the right to require Franchisee to use the Manual in only an electronic format. The Manual will at all times remain the property of Franchisor, and Franchisee must immediately return the Manual to Franchisor upon expiration, termination, or Transfer of this Agreement. Franchisor may periodically update and revise the Manual. Franchisee acknowledges that its entire knowledge of the operation of the System is and shall be derived from information disclosed to Franchisee by Franchisor and that certain of such information is Confidential Information of Franchisor. Franchisee shall maintain the absolute confidentiality of all such Trade Secrets during and after the term of this Agreement and shall not use any such information in any other business or in any manner not specifically authorized or approved in writing by Franchisor. Franchisee is bound by the standards for maintaining the privacy of the Manual in the same manner as all other Confidential Information as provided in this Agreement.

7.05 Confidentiality and Covenant Not to Compete Agreement. Franchisee and, in the event of a subsequent transfer to an entity, the entity, its owners, members, managers, partners or shareholders, officers, directors, agents, beneficial owners, and principal employees, as applicable shall execute Franchisor's standard Confidentiality and Covenant Not to Compete Agreement (Attachment IV) before performing any work at the Outlet or otherwise having access to Franchisor's Confidential Information. A copy of all such signed agreements shall be delivered to Franchisor within one week of their execution.

7.06 Ownership of Business Records. Franchisee acknowledges and agrees that the Franchisor has access to all Business Records with respect to customers, clients, employees, and other service professionals of, and related to, the franchised Franchise including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, phone numbers, e-mail addresses, customer records, and all other records contained in the database, and all other Business Records created and maintained by Franchisee for evaluation and research purposes only. Franchisee further acknowledges and agrees that, at all times during and after the termination, expiration or cancellation of this Agreement, Franchisor may access such Business Records, and may utilize, transfer, or analyze such Business Records as Franchisor determines to be in the best interest of the System, in Franchisor's sole discretion. This will in no way cause harm to Franchisee's business.

## **8. FRANCHISOR'S DUTIES**

8.01 Services Provided by Franchisor. Franchisor will provide initial and continuing services as it deems necessary or advisable in furthering Franchisee's Outlet and the business of the System as a whole and in connection with protecting the Marks and goodwill of Franchisor. Provision of services by Franchisor, either initial or continuing, is independent from the payment the Initial Franchise Fee or the continuing Royalty Fees. Notwithstanding the foregoing, Franchisor will provide the services listed below on a continuing basis.

8.02 Site Selection. Franchisee is solely responsible for locating a site for the Outlet and negotiating a lease for the property. Upon request, Franchisor will provide assistance to Franchisee in analyzing a site and in negotiating a lease. Franchisor will analyze a site by examining population density, traffic patterns, and proximity of the proposed franchise to any other The Dolly Llama, or

any other reasonable criteria, as set forth in Section 10.02. Franchisee agrees that the site of the Franchise is a factor in the potential for success of the Outlet and Franchisor may reject any site in its sole discretion, but consent will not be unreasonably withheld. However, Franchisor's assistance in no way constitutes a representation or warranty with respect to the property or the lease. If you and DLFG cannot agree on the initial selected site, then you must present two (2) alternative sites. DLFG will give you an evaluation of each site. You may then choose any one of the 2 alternative sites. DLFG must approve or disapprove your site within 30 days after we receive notice of the site from you. If you and we cannot agree on any of the three sites, then DLFG will send a representative to assist in site selection. Without guaranteeing the success of any particular site, DLFG will approve or disapprove your site within 30 days after we receive notice of the site from you. The franchise agreement cannot be terminated due to failure to agree on site selection; however the franchise agreement can be terminated for failure to begin operations within three hundred sixty five (365) days of signing the franchise agreement.

8.03 Equipment, Inventory, Advertising and Services. Franchisor will specify or approve certain equipment and supplies used in the Outlet, as provided elsewhere in this Agreement. Franchisor may negotiate marketing programs with suppliers and obtain advertising allowances or rebates for doing so and may utilize such allowances or rebates in any manner in which Franchisor elects, in its sole discretion.

8.04 Initial Training. Franchisor will provide initial and ongoing training and assistance, as Franchisor may reasonably determine to be appropriate, within sixty (60) days of signing this Agreement. Franchisor will provide the initial classroom training program at its corporate headquarters, or at another location designated by Franchisor, to Franchisee and one designated Manager or other employee. Franchisee and a designated manager must attend and satisfactorily complete the initial training program. The training program lasts for approximately three (3) days, and consists of a discussion of the System, techniques, procedures, and methods of operation, ordering, accounting, support procedures and instructions on quality standards and practical experience in the operation of the Franchise. Franchisee is responsible for personal travel, accommodation, and other costs of its employees while attending training. Franchisee will be charged Franchisor's current training fee for any additional persons attending training.

8.05 Ongoing Training. Franchisor reserves the right to hold and require Franchisee to attend annual conferences to discuss on-going changes in the industry, sales techniques, personnel training, bookkeeping, accounting, inventory control, performance standards, and advertising programs. If the conference is mandatory, Franchisee will not be required to pay a conference fee but must pay all personal travel and living expenses for all of its employees attending the conference. Conferences will be held at Franchisor's corporate headquarters or at an alternate franchise chosen by Franchisor.

8.06 Opening and Continuing Assistance. Franchisor provides on-site assistance in connection with initial training during the opening of the Franchise, 2 days prior and the day of Grand Opening. Additional Post Opening Assistance at the Franchise will incur a Fee as described in 5.07. Franchisor will provide reasonable ongoing assistance by telephone, email, or other form of communication to Franchisee during normal business hours. If Franchisee requires additional on-site assistance, Franchisee will be charged Franchisor's then-current additional assistance fee per day, plus travel and living expenses for Franchisor's representative.

8.07 Advertising and Promotional Programs. Franchisor will provide advertising and promotional programs as set forth in Section 9.

8.08 Development of Programs. Franchisor may develop new designs and service methods, as Franchisor deems beneficial to the System. Franchisor will offer such new design and service methods to Franchisee on terms reasonably determined by Franchisor.

8.09 Modification of System. Franchisor will periodically continue to improve, modify, and revise the Manual and the specifications, standards, and operating procedures and rules of the System, as set forth in Sections 2.02 and 7.04.

8.10 Central Purchasing. Franchisor reserves the right to implement a purchasing system for franchisees and negotiate prices and terms with suppliers and to receive rebates from such purchases by Franchisees. Franchisor may utilize such rebated funds in any manner it chooses in Franchisor's sole discretion.

8.11 Web Site. Franchisor will provide information regarding Franchisee's Outlet on its Web site, as set forth in Section 9.02.

## **9. SOLICITATION AND ADVERTISING**

9.01 Except as stated in this paragraph, Franchisee may not directly market to or solicit customers who reside outside the Designated Territory. However, Franchisee will have the exclusive right to service customers within the Designated Territory except through the Internet generated by Multi-Area Marketing Programs.

9.02 Franchisee Advertising.

- (a) Local Advertising Requirement. Franchisee is required to spend a minimum of 1% per month of Franchisee's Gross Monthly Sales on local advertising and promotion.
- (b) Grand Opening Marketing Campaign. Franchisee will be required to launch a grand opening marketing campaign at least 30 days before the opening of the Shop and must continue through the next 60 days after opening. Franchisee must hire the approved public relations company and launch a grand opening marketing campaign to promote the Shop for a total of three months. The amount for this grand opening package ranges between \$5,000-\$10,000. Franchisor may designate a different time period to conduct the grand opening marketing. The grand opening marketing campaign must include giveaways of food samples and other promotions, as Franchisor requires, and must be approved before it is conducted. This required expenditure is in addition to the Local Advertising Requirement above.
- (c) Regional Advertising Requirement. Franchisor can establish one or more associations and/or sub-associations of franchisees to conduct various marketing related activities on a cooperative basis. The Cooperative will be made up of franchisees who are located in or near Designated Marketing Areas, as determined by Us, and will be managed by franchisees elected by the group. The Cooperative, if established, may adopt its own written governing regulations, which Franchisee must follow but these regulations are

subject to consent by Franchisor. These regulations will be made available to the Franchisee upon written request. Franchisor will notify Franchisee in writing of the Regional Advertising Cooperative for the area that it must join and the amount of the advertising cooperative contributions. When implemented, Franchisee's contributions will be at least 1% but no more than 2% of Gross Sales unless the Cooperative changes the maximum contribution. These contributions will count towards your local advertising requirement. Any locations under the control of our principals or affiliates are not required to contribute to the Cooperative. Expenditures by the Regional Advertising Cooperative need not be in proportion to the contributions you make, or any other franchisee makes. An unaudited annual financial statement of the Regional Advertising Cooperative will be prepared within 120 days of the close of our fiscal year and will be available to any Franchisee upon written request.

9.03 Subject to this Section, and Section 4.05 above, Franchisee may not advertise in any media with a primary circulation outside Franchisee's Designated Territory, except with Franchisor's written consent and with the reasonable consent of any franchisee whose territory is reached by the media. However, Franchisee may advertise in media whose circulation is primarily inside Franchisee's Designated Territory, even if it also reaches outside Franchisee's Designated Territory. All Internet marketing is a part of the National Marketing Fund and must be coordinated through and approved by Franchisor. You may not market independently on the Internet or acquire an independent Internet domain name or Web site, but Franchisor will include Franchisee's Franchise on its Web site.

9.04 Advertising and Marketing Materials. Franchisor will provide Franchisee with reasonable amounts of advertising and marketing materials which may include, but are not limited to, video and audiotapes, multimedia, print-ready advertising materials, posters, banners, and other items. Franchisee must purchase any additional copies of advertising and marketing materials. Franchisee may develop and produce additional advertising and marketing materials, at Franchisee's own expense, but any advertising and marketing materials must be approved in writing by Franchisor in advance of Franchisee's use of such materials. Franchisor will approve or disapprove of materials submitted by Franchisee within fifteen (15) days of receipt. Franchisor also reserves the option of utilizing the advertising, without cost, developed by Franchisee and providing the advertising to other franchisees.

9.05 National Marketing Fund ("NMF") Franchisee will be required to pay a fee into the National Marketing Fund (Fund) to advertise the System on a regional, national, or international level in an amount equal to 1% of Gross Sales, but the combined amount including local and regional advertising not to exceed 3%. Contributions shall be made at the same time and in the same manner as the Royalty Fee. Franchisor will hold contributions to the Fund in any bank account of its choosing, including the Corporate Account. Any locations under the control of our principals or affiliates are not required to participate in the NMF. Franchisor will use the contributions to the Fund for local, regional, national, Internet, or international advertising or marketing, development and maintenance of any Internet or e-commerce programs, related expenses, and any media or agency costs or to attend franchise trade shows and other events. Franchisor may also use contributions to the Fund to offset or partially rebate the franchisee's local media and printing expenses. Franchisee acknowledges and agrees that expenditures from the Fund may or may not be proportionate to

contributions made by Franchisee or provide a direct or any benefit to Franchisee and that Franchisor has no fiduciary duty to do so. The National Marketing Fund will be spent for the purposes set forth above at Franchisor's sole discretion, and Franchisor has no fiduciary duty with regard to the Fund. Franchisor may accumulate these contributions, and the balance may be carried over to subsequent years and used for the purposes stated in this Agreement. If the National Marketing Fund operates at a deficit or requires additional funds at any time, Franchisor reserves the right to loan such funds to the National Marketing Fund on any terms Franchisor determines. Franchisor may also utilize the National Marketing Fund to reimburse itself for administrative expenses incurred in administering the National Marketing Fund. An unaudited annual financial statement of the National Marketing Fund will be prepared within one hundred twenty (120) days of the close of Franchisor's fiscal year and will be available to Franchisee upon request.

9.06 Websites. We alone may establish, maintain, modify or discontinue all internet, world wide web and electronic commerce activities pertaining to the System. We have established one or more websites accessible through one or more uniform resource locators ("URLs"). We will provide your Outlet with a listing on our website and we may, but are not required to, design and provide for the benefit of your Outlet a "click through" subpage at our website for the promotion of your Outlet. If we establish one or more websites or other modes of electronic commerce and if we provide a "click through" subpage at the website(s) for the promotion of your Outlet, you must routinely provide us with updated copy, photographs and news stories about your Outlet suitable for posting on your "click through" subpage. We reserve the right to specify the content, frequency and procedure you must follow for updating your "click through" subpage.

- (a) Any websites or other modes of electronic commerce that we establish or maintain, including but not limited to any mobile applications ("apps") that we may introduce, may – in addition to advertising and promoting the products, programs or services available at The Dolly Llama Outlets – also be devoted in part to offering The Dolly Llama franchises for sale and be used by us to exploit the electronic commerce rights which we alone reserve.
- (b) In addition to these activities, we may also establish an intranet through which downloads of operations and marketing materials, exchanges of franchisee email, System discussion forums and System-wide communications (among other activities) can be done. You may not maintain your own website; otherwise maintain a presence or advertise on the internet or any other mode of electronic commerce in connection with your Outlet; establish a link to any website we establish at or from any other website or page; or at any time establish any other website, electronic commerce presence or URL which in whole or in part incorporates the "The Dolly Llama" name or any names confusingly similar to the Proprietary Marks.
- (c) You are not permitted to promote your Outlet or use any of the Proprietary Marks in any manner on any social or networking websites, which includes but is not limited to, Facebook, Instagram, LinkedIn, YouTube, TikTok or Twitter, without our prior written consent. We will control all social media initiatives. You must comply with our System standards regarding the use of social media in your Outlet's operation, including prohibitions on your and the Outlet's employees posting or blogging comments about the Outlet or the System, other than on a website established or authorized by us ("social media" includes but is not limited to personal blogs, common social networks like

Facebook, and Instagram, professional networks like LinkedIn, live-blogging tools like Twitter and video networks like YouTube and TikTok virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools). We will provide access to branded social media pages/handles/assets, and you must update these regularly. We reserve the right to conduct collective/national campaigns via local social media on your behalf.

- (d) We alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any website we establish and maintain, including any and all material you may furnish to us for your “click through” subpage.

## **10. CONSTRUCTION AND MAINTENANCE OF FRANCHISE**

10.01 Franchise Construction. Franchisee must construct or convert a building and equip the site, at Franchisee’s expense, in a good and workmanlike manner as specified by Franchisor. All interior designs, construction or conversion work must be completed in accordance with the standards and specifications of Franchisor and must conform to all applicable zoning and other requirements of local authorities. Construction or conversion must begin by the end of 9 months from the date of execution of the Franchise’s lease and be able to open to serve the public within 12 months from the date of this Agreement. Franchisor will approve or disapprove the plans within thirty (30) days of submission. The factors that affect this time are the ability to obtain a building or lease, obtain general business permits, training, financing or building permits, zoning and local ordinances, weather conditions, shortages, and installation of equipment, fixtures and signs. If Franchisee does not make reasonable efforts to open the franchise by the end of twelve months, Franchisor may terminate this Agreement and retain all monies received.

10.02 Property. Franchisee may purchase or lease the required real property and improvements from any source upon terms approved by Franchisor in writing. Proposals for site of the Franchise must be submitted to Franchisor within [No of months] months of the execution of this Agreement, or this Agreement will automatically terminate. Franchisee must deliver to Franchisor any traffic, competition, and demographic and similar site information relating to any proposed site, that Franchisor reasonably requests, for review at least twenty (20) days before any proposed lease signing date. Franchisee must deliver to Franchisor a copy of the proposed lease and an option to assume the lease signed by the lessor in favor of Franchisor in a form acceptable to Franchisor. If Franchisor assists Franchisee in negotiating the lease or negotiating Franchisor’s required option to assume the lease, Franchisor may charge Franchisee a lease negotiation fee. Franchisor will provide Franchisee with standard sample floor layouts and architectural plans, but all final plans must be approved by Franchisor.

10.03 Lease Riders. If Franchisee leases the Premises, the lease must contain the following provisions:

- (a) on termination of this Agreement for any reason, Franchisor or its designee will have the option for thirty (30) days to assume Franchisee’s remaining lease obligations without accruing any liability regarding the lease prior to the effective date of any assignment; or Franchisor will have the right to execute a new lease for the remaining term on the same terms and conditions;

- (b) all notices of default to Franchisee under the lease must be sent contemporaneously to Franchisor;
- (c) in the event Franchisee defaults under the lease, Franchisor or its designee will have an opportunity, but not the obligation, to cure such default and to assume Franchisee's remaining obligations under the lease, but will not have any obligation to do so; and
- (d) a provision reserving to Franchisor the right, at Franchisor's sole and absolute election, to receive an assignment of the leasehold interest from Franchisee upon termination or expiration of the initial term or any renewal term, or any termination of Franchisee, and the right to reassign the lease without becoming liable on the lease and without further approval from the landlord or additional charge.

10.04 Maintenance and Upgrades. Subject to the terms of this Section, Franchisee must at all times comply with Franchisor's standards, specifications, processes, procedures, requirements and instructions regarding the Franchise's physical facilities, including the layout of furnishings and fixtures. Franchisee must maintain the Franchise and any parking areas in good and safe condition, as specified in the Manual. Franchisee must remodel or upgrade the Franchise at its own cost in accordance with Franchisor's reasonable standards and requests.

## 11. RECORDS AND REPORTS

11.01 Records. Franchisee must keep and transmit complete and accurate Business Records on a current basis relating to the Outlet in the form, time, and manner that Franchisor prescribes. Franchisee must provide Franchisor with all hard copies, and access to electronic reports, as reasonably prescribed. Franchisee must maintain an accounting system, which accurately reflects all operational aspects of the Franchise including uniform reports as may be required by Franchisor. Franchisee must submit to Franchisor current financial statements and other reports as Franchisor may reasonably request to evaluate or compile research data on any operational aspect of the Franchise. Franchisor reserves the right to require that Franchisee make available its sales records and files by way of an Internet connection. Business Records will specifically also include:

- (a) tax returns;
- (b) daily reports;
- (c) statements of Gross Sales and expenses, to be prepared each month for the preceding month;
- (d) profit and loss statements, to be prepared at least quarterly and by an independent Certified Public Accountant annually; and
- (e) balance sheets, to be prepared at least annually by an independent Certified Public Accountant.

Franchisee must keep accurate records relating to the Outlet for a period of six (6) years after the termination or expiration of this Agreement.

11.02 Records Standards. Franchisee must prepare all financial reports in accordance with generally accepted accounting principles, consistently applied, in a form approved by Franchisor. Franchisee must periodically deliver to Franchisor copies of accounting, tax and other documents and

information, within ten (10) business days of Franchisor's requests. Franchisee must provide Franchisor with a copy of its annual financial statements including a profit and loss statement and a balance sheet containing complete notes and disclosures. Such statements must be compiled by an independent Certified Public Accountant and be delivered to Franchisor within ninety (90) days after Franchisee's fiscal year end.

11.03 Audits. Franchisee must provide Franchisor, or its agents access to Franchisee's Outlet and computer systems to examine or audit Franchisee's Outlet, at any reasonable time without notice. Franchisor will bear the cost of the audit, unless Franchisee fails to report as required or understates Gross Sales by one percent (1%) or more for any reported time period, in which case Franchisee will pay the audit cost plus interest on understated costs of one- and one-half percent (1.5%) per month. Franchisee must immediately pay to Franchisor all sums owed in addition to any other remedies provided in this Agreement or by law.

## 12. FRANCHISEE'S DUTIES

12.01 Compliance with Applicable Laws. Franchisee agrees to (i) comply with all applicable laws, ordinances and regulations or rulings, or licensing requirements, of every nature whatsoever which in any way regulate or affect the operation of its Outlet, (ii) pay promptly all taxes and business expenses, and (iii) comply with all laws covering occupational hazards, accommodations for the disabled, including without limitation, the Americans with Disabilities Act, if applicable, health, workers' compensation insurance and unemployment insurance. Franchisee agrees, at its expense, to modify its Franchise, if necessary, to comply with any such applicable laws or regulations. Franchisee shall not engage in any activity or practice that result, or may reasonably be anticipated to result, in any public criticism of the System or any part thereof.

12.02 System Compliance. Franchisee must comply with the System, the Manual, and all systems, procedures and forms, as in effect from time to time. All mandatory specifications, standards, and operating procedures prescribed by Franchisor in the Manual, or otherwise communicated to Franchisee in writing, shall constitute provisions of this Agreement as if fully set forth herein. Accordingly, all references in this Agreement to Franchisee's obligations under this Agreement, including to the Franchise, equipment, procedures shall include such mandatory specifications, standards, and operating procedures. Franchisor may require Franchisee to add additional concepts to the Outlet in the future; however, these concepts will be complementary.

12.04 Uniformity and Image. In order to maintain uniform standards of quality, appearance, and marketing, it is essential that Franchisee conform to Franchisor's standards and specifications set forth in the Manual and the System. While Franchisee will manage its own operations and employees, Franchisee must agree and conform to all the requirements of this Section.

12.05 Operations. Franchisee must operate the Outlet in accordance with the System and Manual, as amended by us in our discretion. Franchisee or a fully trained and qualified manager ("Manager") approved by Franchisor must participate personally and full-time in the Outlet.

12.06 Right of Entry and Inspection. Franchisee must permit Franchisor or its authorized agent or representative to enter the Premises during normal business hours and to reasonably inspect the

operations of the Outlet. Without any liability to Franchisee, Franchisor may confiscate any materials which Franchisor, in its reasonable judgment, determines to be either illegal or in violation of this Agreement. Franchisor shall have the right to observe Franchisee and its customers/clients rendering services, to confer with Franchisee's employees and customers/clients and to generally review the Outlet operations for compliance with the standards and procedures set forth in the Manual.

12.07 Restrictions on Services and Products. Franchisee is prohibited from offering for sale any products and services not authorized by Franchisor as being a part of the System. Franchisee shall purchase [required purchases] required for the operation of the Outlet from suppliers designated or approved by Franchisor. However, if Franchisee proposes to offer, conduct or utilize any services, products, materials, forms, items, supplies or services for use in connection with the Outlet which are not previously approved by Franchisor as meeting its specifications, Franchisee shall first request approval in writing from Franchisor. Franchisor may, in its sole discretion, for any reason whatsoever, elect to withhold such approval; however, in order to make such determination, Franchisor may require submission of outlet design specifications, information of such equipment and supplies. Franchisor will advise Franchisee within a reasonable time whether such equipment and supplies meet its specifications. Approved equipment descriptions and supplier contact information are prescribed in the Manual. If there is no designated or approved supplier for particular items, Franchisee may purchase from suppliers approved in advance by Franchisor who meet all of Franchisor's specifications and standards as to quality, composition, finish, appearance and service, and who shall adequately demonstrate their capacity and facilities to supply Franchisee's needs in the quantities, at the times, and with the reliability requisite to an efficient operation of the Outlet.

12.08 Sales Restrictions: You may offer and sell products to customers for consumption on the Outlet premises for personal or carry-out consumption: (a) from the Approved Location; and (b) in accordance with the requirements of this Agreement and the procedures set forth in the Operations Manual.

- (a) You may not sell products to customers outside your Designated Territory without our express written permission and with the following exception. If no other +Dolly Llama franchisee is adjacent to your Territory, you may deliver product and/or provide catering services to those customers outside your Territory. However, you may not deliver products and/or provide catering services to customers in another Dolly Llama franchisee's Designated Territory nor will you receive any precedential right to continue to offer such products or services to such customers once a Designated Territory has been established for an adjacent Dolly Llama franchisee.
- (b) You may only provide delivery and/or catering services using your own delivery service vehicle to addresses within your Designated Territory. Because a retail customer may choose to use a third-party delivery service, those deliveries are exempt from this the Territory restriction.
- (c) You agree not to offer or sell products through any means other than as provided above; and therefore, for example, you agree not to offer or sell products from satellite locations, temporary locations, carts or kiosks, by use of catalogs, the Internet, or through any other digital format or print media unless specifically approved by us in writing.

- (d) You may not engage in any promotional activities or sell products or services, whether directly or indirectly, through or on the internet, the world wide web, or any other similar proprietary or common carrier electronic delivery system; through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere. While you may place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located primarily within your Designated Territory, you will not be deemed to be in violation of the Franchise Agreement if those advertisements, because of the natural circulation of the printed media or reach of television and radio, are viewed by prospective customers outside of your Designated Territory. You may not directly solicit customers outside of your Designated Territory. You have no options, rights of first refusal, or similar rights to acquire additional franchises. You may not sell any products to any business or other customer at wholesale.
- (e) We and our affiliates may sell products under our Proprietary Marks within and outside your Designated Territory through any method of distribution other than at a The Dolly Llama Unit, including sales through channels of distribution such as the internet, catalog sales, grocery stores, club stores, specialty food stores, telemarketing or other direct marketing sales (together, “alternative distribution channels”). You may not use alternative distribution channels to make sales outside or inside your Designated Territory and you will not receive any compensation for our sales through alternative distribution channels.
- (f) We or our affiliate will fulfill all orders placed through the retail portion of our website and you will not be entitled to any portion of the profits received from this, even if the customer’s order is generated from or delivered to an address in your Designated Territory.

12.09 Limitations on Supply Obligations. Nothing in this Agreement shall be construed to be a promise or guarantee by Franchisor as to the continued existence of a particular product, nor shall any provision herein imply or establish an obligation on the part of Franchisor to sell equipment and supplies to Franchisee if Franchisee is in arrears on any payment to Franchisor or otherwise in default under this Agreement. If Franchisee fails to pay in advance in full for each shipment of equipment and supplies purchased, Franchisor shall not be obligated to sell equipment and supplies to Franchisee. In addition, Franchisor may impose interest on any late payments on the terms described in Section 5.04.

12.10 Insurance. Franchisee must keep in force insurance policies as prescribed by Franchisor in the Manual by an insurance company acceptable to Franchisor at all times during the term of this Agreement and any renewals. Insurance coverage must include general liability, combined single limit, bodily injury and property damage insurance for premises operations, products liability and all other occurrences against claims of any person, employee, customer, and agent or otherwise in an amount per occurrence of not less than such amount set forth in the Manual and adjusted by Franchisor from time to time. Insurance policies must insure both Franchisee and Franchisor, its officers and directors, as additional named insured against any liability which may accrue against them by reason of the ownership, maintenance or operation by Franchisee of the Outlet. The policies

must also stipulate that Franchisor shall receive a thirty (30) day prior written notice of cancellation. Original or duplicate copies of all insurance policies, certificates of insurance or other proof of insurance acceptable to Franchisor shall be furnished to Franchisor together with proof of payment within thirty (30) days of issuance thereof. In the event Franchisee fails to obtain the required insurance and keep the same in full force and effect, Franchisee shall pay Franchisor upon demand the premium cost thereof, which Franchisor shall then forward to the insurance carrier. Notwithstanding the foregoing, failure of Franchisee to obtain insurance constitutes a material breach of this Agreement entitling Franchisor to terminate this Agreement pursuant to the provisions of this Agreement. Franchisee will also procure and pay for all other insurance required by state or federal law, including, without limitation, workers' compensation and unemployment insurance.

12.11 Appearance and Customer Service. Franchisee and its employees shall (i) maintain a clean and attractive appearance, (ii) give prompt, courteous and efficient service to the public, and (iii) otherwise operate the Outlet in strict compliance with the policies, practices and procedures contained in the Manual so as to preserve, maintain and enhance the reputation and goodwill of the System. Franchisee may not alter, change, or modify the System, including the Franchise, in any way without the prior written consent and approval of Franchisor.

12.12 Signs. All signs to be used on or in connection with the Outlet must be approved in writing by Franchisor prior to their use by Franchisee.

12.13 Training. Franchisee or its designated Manager must complete Franchisor's initial training program described in Section 8.04 above. Franchisee shall train its employees according to standards and procedures established by Franchisor.

12.14 Correction of Defects. Should Franchisor notify Franchisee at any time of defects, deficiencies or unsatisfactory conditions in the appearance or conduct of the Outlet, Franchisee shall correct within a reasonable time, any such items. Franchisee shall establish and maintain an image and reputation for the Outlet consistent with the standards set forth in this Agreement, the Manual, or as otherwise specified by Franchisor. Franchisee shall keep its Franchise clean and in good order and repair at all times.

12.15 Indemnification. Franchisee agrees to indemnify, defend and hold harmless Franchisor, its parent corporation, its subsidiaries and affiliates, and their respective shareholders, directors, officers, employees, agents, successors and assignees against all claims and liabilities directly or indirectly arising out of the operation of the Outlet or arising out of the use of the Marks and System in any manner not in accordance with this Agreement. For purposes of this indemnification, claims shall mean and include all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim, including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. Franchisor shall have the right to defend any such claim against it. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Franchisee shall not however, be liable for claims arising as a result of Franchisor's intentional or fraudulent acts, omissions or negligence.

12.16 Computer Systems. Franchisee must acquire, maintain, and upgrade computer, information processing and communication systems, including all applicable hardware, software, and Internet and other network access providers, and Web site vendors, as prescribed in the Manual. Franchisee must comply with any separate software or other license agreement that Franchisor or its designee uses in connection with providing these services.

12.17 Computer Problems, Viruses, and Attacks. Franchisee acknowledges and understands that computer systems are vulnerable to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders. Franchisor has taken reasonable steps so that these problems will not materially affect the System. Franchisor does not guarantee that information or communication systems supplied by Franchisor or its suppliers will not be vulnerable to these problems. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from these problems. Franchisee must also take reasonable steps to verify that Franchisee's suppliers, lenders, landlords, customers, and governmental agencies on which Franchisee relies, are reasonably protected. This may include taking reasonable steps to secure Franchisee's systems, including, but not limited to, firewalls, access code protection, anti-virus systems, and use of backup systems.

12.18 Hazardous Materials. Franchisee must not cause or permit any toxic or hazardous waste, substances, or materials, as defined under applicable government laws and regulations to be used, generated, stored or disposed of near, on, under, about or transported to or from the Premises or any of Franchisee's vehicles except as necessary for Franchisee's operation of the Outlet and in accordance with the Manual. Franchisee shall conduct such permissible hazardous materials activities in strict compliance, and at Franchisee's expense, with all applicable federal, state, and local laws, rules and regulations now or hereafter in effect and using all necessary and appropriate precautions. Franchisor will not be liable for any of these activities. Franchisee must provide Franchisor with a copy of all hazardous materials inventory statements and updates filed by any governmental agency or regulation and must immediately notify Franchisor both by telephone and in writing of any spill or unauthorized discharge of hazardous materials or of any conditions constituting an imminent hazard.

### **13. DEFAULT AND TERMINATION**

13.01 Termination by Franchisee. Franchisee may terminate this Agreement only if Franchisor violates a material provision of this Agreement and fails to remedy or fails to make substantial progress toward curing the violation within ninety (90) days after receiving an initial written notice from Franchisee detailing the alleged default. Termination by Franchisee shall be effective ten (10) days after Franchisor receives a subsequent written notice of termination following the referenced ninety (90) days only if Franchisor has not cured the violation or made substantial progress toward curing the violation. If Franchisee terminates this Agreement under this provision, Franchisee must follow the termination procedures as set forth in Section 13.03.

13.02 Termination by Franchisor. Subject to applicable law to the contrary, Franchisor may, at its option, terminate this Agreement before its expiration as set forth below:

- (a) With Notice of 30 Days. This Agreement will terminate thirty (30) days after Franchisor gives written notice to Franchisee and Franchisee fails to cure the defect within the 30-day period, in the event that:
- (i) Franchisee fails or refuses to maintain and operate the Outlet in compliance with this Agreement, the System, or the Manual;
  - (ii) Franchisee fails to pay Franchisor or suppliers for obligations under this Agreement;
  - (iii) Franchisee fails to comply with any material federal, state, or local law or regulation applicable to the operation of the Outlet; or
  - (iv) Franchisee is in breach of any term, condition, provision of this Agreement or an Attachment to this Agreement or any other Agreement executed between Franchisee and Franchisor.
- (b) Without Notice. This Agreement and license will immediately terminate without notice in the event that:
- (i) Franchisee misrepresented or omitted material facts which induced Franchisor to enter into this Agreement;
  - (ii) Franchisee fails to complete the required initial training or has failed to designate an acceptable site pursuant to Section 10;
  - (iii) Franchisee incurs three (3) insufficient funds fees within any twelve (12) month period;
  - (iv) A permanent or temporary receiver or trustee for the Franchise or all or substantially all of Franchisee's property is appointed by any court, or any such appointment is consented to or not opposed through legal action by Franchisee, or Franchisee makes a general assignment for the benefit of Franchisee's creditors or Franchisee makes a written statement to the effect that Franchisee is unable to pay its debts as they become due, or a levy or execution is made on the license, or an attachment or lien remains on the Franchise for thirty (30) days unless the attachment or lien is being duly contested in good faith by Franchisee and Franchisor is advised in writing;
  - (v) Franchisee loses possession or the right of possession of all or a significant part of the Franchise through condemnation, casualty, lease termination or mortgage default/foreclosure and the Franchise is not relocated or reopened;
  - (vi) Franchisee contests the validity of, or Franchisor's ownership of, any of the Marks in any court or proceeding;
  - (vii) Franchisee makes an unauthorized Transfer;
  - (viii) Franchisee is a business entity and any action is taken which purports to merge, consolidate, dissolve or liquidate the entity without Franchisor's prior written consent.
  - (ix) Franchisee voluntarily abandons or ceases operation of the Outlet for more than five (5) consecutive days; or
  - (x) The Franchisee or any owner of greater than five percent (5%) of an assigned Franchisee entity or operator is charged or convicted of a felony, a crime involving moral turpitude, or any crime or offense that is reasonably likely, in the sole opinion of the Franchisor, to materially and unfavorably affect the DLF System, Marks, goodwill or reputation.

13.03 Effect of Termination. Upon any termination or expiration of this Agreement, all obligations that by their terms or by reasonable implication survive termination, including those pertaining to

non-competition, confidentiality, and indemnity, will remain in effect, and Franchisee must immediately:

- (a) pay us within 45 days after the effective date of termination liquidated damages equal to the average monthly Royalty Fees you paid or owed to us during the 12 months of operation preceding the effective date of termination multiplied by the number of months remaining in the Agreement had it not been terminated;
- (b) return to Franchisor all copies of the Manual, customer lists, records, files, instructions, brochures, advertising materials, agreements, Confidential Information and any and all other materials provided by Franchisor to Franchisee or created by a third party for Franchisee relating to the operation of the Outlet, and all items containing any Marks, copyrights, and other proprietary items;
- (c) cancel or assign within five (5) days all registrations relating to its use of any of the Marks, in Franchisor's sole and absolute discretion. Franchisee must notify the telephone, Internet, email, electronic network, directory, and listing entities of the termination or expiration of the Franchisee's right to use any numbers, addresses, domain names, locators, directories and listings associated with any of the Marks, and must authorize their transfer to the Franchisor or any new franchisee as may be directed by the Franchisor. The Franchisee acknowledges as between the Franchisor and the Franchisee, the Franchisor has the sole rights to, and interest in, all numbers, addresses, domain names, locators, directories and listings used by Franchisee to promote the System. The Franchisee hereby irrevocably appoints the Franchisor, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest; to execute such directions and authorizations as may be necessary or prudent to accomplish the foregoing;
  - (i) cease doing business under any of the Marks, cancel any assumed name registration that includes any of the Marks, assign all domain names and Internet directory listings that contain the Marks to Franchisor, and refrain from identifying itself as a DLFG franchisee;
  - (ii) allow Franchisor or representatives access to the Outlet and the computer systems to verify and secure Franchisee's compliance with the obligations under this Agreement;
  - (iii) allow Franchisor to make a final inspection and audit of your computer system, books, records and accounts; and
  - (iv) abide by the terms of the required noncompetition covenant.

13.04 Failure to Cease or Remove Identification. If, within thirty (30) days after termination of this Agreement by Franchisor, Franchisee fails to remove all displays of the Marks from the Franchise which are identified or associated with the System, Franchisor may enter the Franchise to effect removal. In this event, Franchisor will not be charged with trespass nor be accountable or required to pay for any displays or materials. If, within thirty (30) days after termination Franchisee has not taken all steps necessary to amend or terminate any registration or filing of any fictitious name or any other registration or filing containing the Marks, Franchisee hereby irrevocably appoints Franchisor as Franchisee's true and lawful attorney for Franchisee, for the purpose of amending or terminating all registrations and filings, this appointment being coupled with an interest to enable Franchisor to protect the System.

13.05 Other Claims. Termination of this Agreement will not affect, modify or discharge any claims, rights, causes of action or remedies, which Franchisor may have against Franchisee, whether such claims or rights arise before or after termination.

## 14. TRANSFER

14.01 Prohibited Acts. Any unauthorized Transfer or other conveyance, by operation of law or otherwise, or any attempt to do so, shall be deemed void, a breach of this Agreement, and grounds for termination of this Agreement by Franchisor.

14.02 Transfer by Franchisor. Franchisor's obligations under this Agreement are not personal, and Franchisor can unconditionally assign and transfer, in its sole and absolute discretion, this Agreement to another person or business entity at any time. Franchisor does not need permission of Franchisee for the transfer and may transfer free of any responsibility or liability whatsoever to the Franchisee, provided the transferee assumes the Franchisor's material obligations. Franchisor may also:

- (a) sell or issue its stock, other ownership interests, or assets, whether privately or publicly;
- (b) merge with, acquire, or be acquired by another entity, including an entity that competes directly with Franchisee; or
- (c) undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring.

14.03 Transfer by Franchisee. Franchisee's obligations under this Agreement are personal and may not be voluntarily or involuntarily sold, pledged, assigned, transferred, shared, subdivided, sub franchised, encumbered or transferred in any way without the prior express written approval of Franchisor. Franchisor will not unreasonably withhold, delay or condition its consent to any proposed transfer or assignment by Franchisee which requires Franchisor's consent under Section 14.04 of the Franchise Agreement.

14.04 Conditions for Transfer or Assignment. No Transfer of this Agreement will be approved by Franchisor or be effective unless and until:

- (a) Franchisee is under no default in the performance or observance of any of its obligations under this Agreement or any other agreement with Franchisor at the time Franchisee requests permission to assign this Agreement or at the time of the assignment;
- (b) Franchisee has settled all outstanding accounts with Franchisor, and Franchisee, and every principal of Franchisee's entity, have executed a general release of Franchisor and all principals of Franchisor from all claims that may be brought by you or any principal;
- (c) the proposed transferee pays Franchisor a fee to transfer the Outlet (the "Transfer Fee") in the amount of \$5,000.00 unless the transferee is:
  - (i) a corporation of which Franchisee is the majority stockholder, or a child, parent, sibling or spouse of Franchisee, in which case no Transfer Fee will be required, or
  - (ii) another franchisee of DLFG, in which case the Transfer Fee will be \$2,500.00;
- (d) the proposed transferee executes a separate franchise agreement with Franchisor, using the then-current form of franchise agreement;

- (e) the proposed transferee pays for, attends, and satisfactorily completes the training program for new franchisees unless:
  - (i) the transferee is a current franchisee in good standing in the System, or
  - (ii) the transferee is and has been a Manager for a period of one year or more of a Franchise in good standing;
- (f) the individual proposed transferee, or the stockholders, partners, members, or trustees and beneficiaries of a proposed entity transferee, each execute a personal guarantee, jointly and severally guaranteeing the performance of the proposed transferee's obligations;
- (g) the proposed transferee demonstrates to Franchisor's satisfaction that it, in all respects, meets Franchisor's standards applicable to new franchisees regarding experience, personal and financial reputation and stability, willingness and ability to devote his or her full time and best efforts to the operation of the Outlet, and any other conditions as Franchisor may reasonably apply in evaluating new franchisees. Franchisor must be provided all information about the proposed transferee as it may reasonably require. Because of the confidential information available to a franchisee, no assignment to a competitor of the System will be permitted;

14.05 Entity Documents. Franchisor shall be provided with a copy of the entity's organizational documents, and each of the principals shall execute guarantees in our favor.

14.06 Death of Franchisee's Principal. Upon the death of the principal stockholder or Member of the Franchisee, the rights granted by this Agreement may pass (without payment of any Transfer Fee) to the next of kin or legatees of said principal, provided that Franchisee's legal representatives will within one hundred twenty (120) calendar days of Franchisee's death apply in writing to Franchisor for the right to transfer to the next of kin or legatee Franchisee's rights under this Agreement. Franchisor will not unreasonably withhold permission so long as the proposed transferees meet each of the then-current requirements of franchisees.

14.07 Right of First Refusal. Franchisee grants Franchisor the right to purchase the Outlet on the same terms and conditions specified in a bona fide written offer from a qualified third party. Within seven (7) days after receipt of the bona fide offer acceptable to Franchisee to transfer all or part of the Outlet, Franchisee must forward a signed copy of the written offer to Franchisor. Franchisor will then have access to all Franchisee's Business Records in order to evaluate the offer and may purchase the Outlet upon notification to Franchisee within thirty (30) days and 60 additional days to close the transaction.

14.08 Election of Right / Set Offs. If Franchisor elects to exercise its option to purchase under this Agreement, Franchisor will have the right to set off against any payment all amounts due from Franchisee under this Agreement and the cost of the appraisal, if any.

14.09 Rights After Refusal. If Franchisor does not exercise its right to purchase within the required timeframe, Franchisee may transfer the Outlet to the third party, but not at a lower price or on more favorable terms than disclosed to Franchisor in writing. Such transfer remains subject to Franchisor's prior written approval and other conditions specified in this Agreement. If Franchisor does not transfer the Outlet to the transferee on the same terms offered to Franchisor, then Franchisee must

again extend the right of first refusal to Franchisor in the manner described above, before another desired transfer.

## **15. GENERAL PROVISIONS**

15.01 Covenants Not to Compete. During the term of this Agreement and for two (2) years after termination, transfer, or expiration of this Agreement for any reason, neither Franchisee, nor persons associated with Franchisee, including owners, managers, employees or agents, may participate directly or indirectly or serve in any capacity in any business engaged in the artisan dessert business the same as, similar to, or competitive with the System. This covenant not to compete applies: (i) during the term of the Agreement, within any state in which Franchisor, or franchisees do business; and after termination within a fifty (50) mile radius from the boundary of Franchisee's Designated Territory, and from any franchised, Franchisor-owned or affiliated company-owned premises; (ii) on the Internet; and (iii) on any other Multi-Area Marketing channels used by Franchisor.

15.02 This covenant not to compete is given in part in consideration for training and access to Franchisor's Trade Secrets, and which, if used in a competitive business without paying royalties and other payments, would give Franchisee an unfair advantage over Franchisor and Franchisor's franchisees. The unenforceability of all or part of this covenant not to compete in any jurisdiction will not affect the enforceability of this covenant not to compete in other jurisdictions, or the enforceability of the remainder of this Agreement.

## **16. DISPUTE RESOLUTION**

For purposes of this Section 16, "you" includes all of your owners, stockholders, Members, affiliates and their respective employees, and "we" includes all of the "Franchisor-Related Persons/Entities."

16.01 Negotiation. The parties will first attempt to resolve any dispute relating to or arising out of this Agreement by negotiation. Franchisor will provide a procedure for internal dispute resolution as set forth in the Manual, and this procedure may be revised periodically in Franchisor's discretion.

16.02 Right to Relief. To protect from violations that would cause immediate loss and damages, Franchisor and Franchisee each have the right to seek from a court of competent jurisdiction:

- (a) injunctive relief and any related incidental damages;
- (b) an action for disputes or claims related to or based on the Marks; and
- (c) enforcement of a covenant not to compete.

16.03 Arbitration. Except as specifically provided under this Agreement, any dispute or claim relating to or arising out of this Agreement must be resolved exclusively by mandatory arbitration by and in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") or another arbitration service agreed to by the parties. Arbitration will be conducted solely on an individual, not a class-wide, basis, unless all parties so agree. No award in arbitration involving Franchisor will have any effect of preclusion or collateral estoppel in any other adjudication or arbitration. A single arbitrator shall be selected in accordance with standard AAA procedure, and the proceedings will be conducted at its office nearest to Los Angeles, California

office. Each party shall bear all of its own costs and attorneys' fees and one-half of the arbitrator's expenses. The decision of the arbitrator shall be final and binding.

16.04 Applicability. This dispute resolution section applies to claims by and against all parties and their successors, owners, managers, officers, directors, employees, agents, and representatives, as to claims arising out of or relating to this Agreement, except as stated above. This dispute resolution clause shall survive the termination or expiration of this Agreement.

16.05 Governing Arbitration Law. Notwithstanding any choice of law provision of this Agreement, all issues relating to arbitration or the enforcement of the agreement to arbitrate contained in this Agreement are governed by the U.S. Federal Arbitration Act (9 U.S.C. § 1 et seq.) and the U.S. federal common law of arbitration. This federal act preempts any state rules on arbitration, including those relating to the site of arbitration. Judgment on an arbitration award, or on any award for interim relief, may be entered in any court having jurisdiction, and will be binding.

16.06 Governing Law/Consent to Venue and Jurisdiction. Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 *et seq.*) or other federal law, this Agreement shall be interpreted under the laws of the state of California and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of California, which laws shall prevail in the event of any conflict of law. Franchisee and Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving Franchisee, its officers, directors, managers or partners (collectively, "Franchisee Affiliates") and Franchisor, its parent, subsidiaries or affiliates and their respective officers, directors and sales employees (collectively, "Franchisor Affiliates") the parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of California or the Los Angeles, California office of the AAA and each party waives any objection they may have to the personal jurisdiction of or venue in the state and federal courts of California or the Los Angeles, California office of the AAA. Franchisor, Franchisor Affiliates, Franchisee and Franchisee Affiliates each waive their rights to a trial by jury.

16.07 Limitations on Actions. Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or arbitration proceeding brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted within a period of two (2) years from the date of discovery of the conduct or event that forms the basis of the legal action or proceeding.

## **17. RELATIONSHIP OF THE PARTIES**

17.01 Independent Contractor. Franchisee is an independent contractor and is not an agent, partner, joint venturer, or beneficiary of Franchisor, nor is Franchisor a fiduciary of Franchisee. Neither party will be bound or obligated by the other, except as set forth in this Agreement. Franchisee may not act as an agent in the Franchisor's name or on behalf of the Franchisor for any purpose whatsoever.

17.02 Operations and Identification. Franchisee must conspicuously identify itself in all dealings with the public as “independently owned and operated” separate from Franchisor. Franchisee’s employees are employees of the Franchisee alone and are not, for any purpose, considered employees under the control of Franchisor. Franchisor and Franchisee must file separate tax, regulatory, and payroll reports for each party’s own operations, and must indemnify the other for any liability arising from the other’s reports.

## 18. MISCELLANEOUS

18.01 Entire Agreement. This Agreement, together with all written related agreements, exhibits and attachments, constitutes the entire understanding of the parties and supersedes all prior negotiations, commitments, and representations. Nothing in the Agreement or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document.

18.02 Modification. No modifications of the terms of this Agreement shall be valid unless made in writing and executed by both Franchisor and Franchisee. However, the Manual may be periodically modified by Franchisor and shall be fully enforceable against Franchisee.

18.03 Waiver. Franchisor’s waiver of any particular right by Franchisee will not affect or impair Franchisor’s rights as to any subsequent exercise of that right of the same or a different kind; nor will any delay, forbearance or omission by Franchisor to execute any rights affect or impair Franchisor’s rights as to any future exercise of those rights.

18.04 Severability. If any part of this Agreement, for any reason, is declared invalid by an arbitrator or court, the declaration will not affect the validity of any remaining portion. The remaining portion will remain in force and effect as if this Agreement were executed with the invalid portion eliminated or curtailed. All partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable.

18.05 Conflict with Local Law. If any provision of this Agreement is inconsistent with a valid applicable law, the provision will be deemed amended to conform to the minimum standards required. The parties may execute an Addendum setting forth certain of these amendments applicable in certain jurisdictions, which will apply only so long as and to the extent that then applicable laws referred to in the addendum remain validly in effect.

18.06 Section Headings. Titles of articles and sections are used for convenience of reference only and are not part of the text, nor are they to be construed as limiting or affecting the construction of the provisions.

18.07 Legal Costs. If either party institutes a legal proceeding, including court proceeding and arbitration, and prevails entirely or in part in any action at law or in equity against the other party based entirely or in part on the terms of this Agreement, the prevailing party shall be entitled to recover from the losing party, in addition to any judgment, reasonable attorneys’ fees, court costs and all of the prevailing party’s expenses in connection with any action at law.

18.08 Obligations. Franchisor has no liability for Franchisee’s obligations to any third party whatsoever.

18.09 Continuation of Agreement. The provisions of this Agreement, which by their terms or by reasonable implication require performance by Franchisee after assignment, expiration or termination, remain enforceable notwithstanding the assignment, expiration or termination of this Agreement, including those pertaining to non-competition, intellectual property protection, confidentiality and indemnity. This Agreement inures to the benefit of and is binding on the respective heirs, legal representatives, successors, and permitted assigns of the parties.

18.10 Delivery. All notices and other communications required by this Agreement must be in writing and must be delivered in person, sent by Federal Express, or by U.S. Mail overnight delivery or certified mail, return receipt requested, or in any other manner Franchisor may designate. Communications sent to Franchisor must be sent to the attention of the Chief Executive Officer at Franchisor's address or at any other address Franchisor designates in writing. Communications to Franchisee will be sent to Franchisee at Franchisee's last known business address, or at any other address Franchisee designates in writing. Any notice is considered given and received, when delivered in person, or on the third business day following the mailing, if mailed.

18.11 Joint and Several Liability. If two or more persons or entities or any combination sign this Agreement, each will have joint and several liability. All owners and controllers of an entity or association which comprise the Franchisee are jointly and severally liable for the obligations of the Franchisee under this Agreement.

18.12 Cumulative Remedies. Rights and remedies under this Agreement are cumulative. No enforcement of a right or remedy precludes the enforcement of any other right or remedy.

18.13 Set Off. Franchisee may not set off any amounts owed to Franchisor under this Agreement nor may Franchisee withhold any amounts owed to Franchisor due to any alleged non-performance by Franchisor under this Agreement. Franchisee waives any right to set off.

18.14 Completion of Agreement. The parties agree to acknowledge, execute and deliver all further documents, instruments or assurances and to perform all further acts or deeds as may be reasonably required to carry out this Agreement.

## **19 ACKNOWLEDGEMENT**

BY SIGNING THIS AGREEMENT, FRANCHISEE ACKNOWLEDGES THAT:

19.01 FRANCHISEE HAS RECEIVED THE FRANCHISE DISCLOSURE DOCUMENT DISCLOSURE DOCUMENT REQUIRED BY THE FEDERAL TRADE COMMISSION WITH APPLICABLE EXHIBITS AT LEAST FOURTEEN (14) CALENDAR DAYS BEFORE THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED AND HAS RECEIVED A COPY OF THE COMPLETE DLFG FRANCHISE AGREEMENT AT LEAST SEVEN (7) CALENDAR DAYS BEFORE THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED.

19.02 UNDER APPLICABLE U.S. LAW, INCLUDING WITHOUT LIMITATION EXECUTIVE ORDER 1224, SIGNED ON SEPTEMBER 23, 2001 (THE "ORDER"), FRANCHISOR IS PROHIBITED FROM ENGAGING IN ANY TRANSACTION WITH ANY PERSON ENGAGED IN, OR WITH A PERSON AIDING ANY PERSON ENGAGED IN ACTS OF TERRORISM AS

DEFINED IN THE ORDER. ACCORDINGLY, FRANCHISEE DOES NOT AND HEREAFTER WILL NOT, ENGAGE IN ANY TERRORIST ACTIVITY. IN ADDITION, FRANCHISEE IS NOT AFFILIATED WITH AND DOES NOT SUPPORT ANY INDIVIDUAL OR ENTITY ENGAGED IN, CONTEMPLATING, OR SUPPORTING TERRORIST ACTIVITY

**IN WITNESS WHEREOF**, the parties hereto have executed, sealed and delivered this Agreement in two (2) or more counterparts on the day and year first above written.

**FRANCHISOR:**  
DL FRANCHISE GROUP LLC,  
a California limited liability company

By: \_\_\_\_\_  
Eric Shomof, CEO  
Date signed: \_\_\_\_\_

**FRANCHISEE:**  
\_\_\_\_\_  
a \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

**ATTACHMENT I to the FRANCHISE AGREEMENT**

**FEE, PREMISES AND TERRITORY ADDENDUM**

THIS Addendum is an Attachment to that one certain DL FRANCHISE GROUP LLC Franchise Agreement (“Agreement”), between DL FRANCHISE GROUP LLC (“Franchisor”) and the Franchisee identified below and is made effective as of the date of the Franchise Agreement

1. Initial Fee Due. Upon signing, the Franchisee shall pay \$\_\_\_\_\_ as the Initial Fee due, pursuant to (i) Section 5.02 of the Franchise Agreement and, if appropriate, the Area Development fee as indicated on Attachment A of an Area Development Agreement
  
2. Principal Office Address. Franchisee’s principal office address is: \_\_\_\_\_  
\_\_\_\_\_
  
3. Approved Location. Franchisee’s business location (the Premises) is: \_\_\_\_\_  
\_\_\_\_\_
  
4. Designated Territory. Your Designated Territory for this Outlet shall be described as the following:  
\_\_\_\_\_  
\_\_\_\_\_

**FRANCHISOR:**  
DL FRANCHISE GROUP LLC,  
a California limited liability company

By: \_\_\_\_\_  
Eric Shomof, CEO  
Date signed: \_\_\_\_\_

**FRANCHISEE:**  
\_\_\_\_\_  
a \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

**ATTACHMENT II to the FRANCHISE AGREEMENT**

**ELECTRONIC PAYMENT AUTHORIZATION**

The Franchisee, named below, owner of the financial account referenced below, hereby authorizes and requests DL FRANCHISE GROUP LLC (the “Franchisor”) to obtain payment for all royalty amounts, National Marketing Fund amounts and any other amounts agreed to in the Franchise Agreement, that Franchisee owes to the Franchisor pursuant to the Franchise Agreement between Franchisor and Franchisee, as those amounts become due by initiating a payment entry to Franchisee’s financial account. The account number, name of financial institution, payment amount and date (if known) on or immediately after which payment should be deducted from the account are identified below or will be provided to the named Financial Institution.

In addition, Franchisee authorizes and requests Financial Institution to accept the payment entries, presented to the Financial Institution by Franchisor, and to deduct said payments from Franchisee’s account without responsibility for the correctness of these payments.

Franchisee also agrees to maintain the designated account as “open” to prevent rejected or returned entries. Franchisee understands that items returned or rejected by the Financial Institution will be subject to additional fees as stated in the Franchise Agreement.

FRANCHISEE: \_\_\_\_\_

**BUSINESS ACCOUNT**

Bank, Financial Institution: \_\_\_\_\_

Account Number: \_\_\_\_\_ Routing Number: \_\_\_\_\_

Please attach a check marked ‘void’ if this is a business checking account.

CREDIT CARD OPTION: If Franchisee prefers to use a credit card to pay the funds, please complete the following and please update the card information as applicable (Expiration Date, etc.).

Name on Card: \_\_\_\_\_ Card Number: \_\_\_\_\_

Expires: \_\_\_\_\_ Sec Code: \_\_\_\_\_ Billing Address: \_\_\_\_\_

A 3% (or amount as determined by current rates) charge will apply to all payments made by credit card.

Approved by entity Franchise as indicated by the following authorized signature(s):

\_\_\_\_\_  
Signature  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed \_\_\_\_\_

\_\_\_\_\_  
Signature  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

Note: This Authorization Form must be properly signed and submitted to Franchisor prior to the commencement of business.

**ATTACHMENT III to the FRANCHISE AGREEMENT**

**PROPOSED TRADE NAME and DESIGNATION OF AUTHORITY**

1. Franchisee shall not commence operation of the franchise, unless and until the Franchisor approves: (a) the name of franchisee’s operating entity; and, (b) the assumed name under which Franchisee will operate the business. The name of Franchisee’s operating entity shall not include the word(s): “The Dolly Llama”. The assumed name (DBA) under which Franchisee will present itself to the public shall include the word(s): “The Dolly Llama”.

Franchisee’s proposed name of its operating entity: \_\_\_\_\_

Franchisee’s proposed assumed (DBA) name: \_\_\_\_\_

The proposed name of Franchisee’s entity and the proposed assumed name (DBA) under which Franchisee will present itself to the public are approved by the Franchisor.

**DL FRANCHISE GROUP LLC**

By: Eric Shomof, CEO

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date Approved

2. If the Franchisee is comprised of two or more individuals, (example: a partnership, corporation or a limited liability company), Franchisor requests that the individuals designate the name of one individual, that is the authority to represent and make binding decisions on behalf of the other individuals to/with the Franchisor.

In compliance with the above sentence, we hereby designate \_\_\_\_\_ as the sole individual who has authority to act on our behalf.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name  
Date signed: \_\_\_\_\_

\_\_\_\_\_  
Printed Name  
Date signed: \_\_\_\_\_

## ATTACHMENT IV to the FRANCHISE AGREEMENT

### **CONFIDENTIALITY and COVENANT NOT TO COMPETE AGREEMENT**

*Instructions: This “Confidentiality and Covenant Not to Compete Agreement” must be completed and signed by the spouse of the Franchisee, every manager of the Franchisee, each Guarantor of the Franchisee, and each key employee having access to the Franchisor’s confidential information. This is an ongoing requirement that continues beyond the execution of the Franchise Agreement. The signed original(s) of this Agreement must be delivered to the Franchisor by the Franchisee no later than 10 days following execution of the Franchise Agreement or no later than 10 days following the commencement of the relationship with the Affiliate.*

This Agreement is made and entered into between \_\_\_\_\_ (“Franchisee”), and \_\_\_\_\_ (“Franchisee Affiliate”) and is intended to benefit both the Franchisee and DL FRANCHISE GROUP LLC (“Franchisor”),

#### *Recitals*

*Whereas,* Franchisor has developed a unique system (the "System") and is engaged in the business of offering, selling or granting franchises or licenses for the operation of a location to provide artisan desserts, known as “The Dolly Llama, and,

*Whereas,* Franchisor has granted to Franchisee the limited right to develop an DLFG Outlet using the System, the Licensed Marks and the Trade Secrets, pursuant to a Franchise Agreement (“Franchise Agreement”), by and between Franchisor and Franchisee; and,

*Whereas,* the System includes, but is not limited to, certain trade names, service marks, trademarks, logos, emblems and indicia of origin ("Licensed Marks"), including, but not limited to, the Marks and other trade names, service marks, trademarks, logos, insignia, slogans, emblems, designs and commercial symbols as Franchisor may develop in the future to identify for the public the source of services and products marketed under such marks and under the System and representing the System's high standards of quality, appearance and service and distinctive marketing, uniform standards, specifications and procedures for performing services, merchandising, management and financial control; operations; quality and uniformity of services offered; training and assistance; and advertising, marketing and promotional programs; all of which may be changed, improved and further developed by Franchisor from time to time and are used by Franchisor in connection with the operation of the System ("Trade Secrets"); and,

*Whereas,* the Licensed Marks and Trade Secrets provide economic advantages to Franchisor and are not generally known to, and are not readily ascertainable by proper means by, Franchisor's competitors who could obtain economic value from knowledge and use of the Trade Secrets; and,

*Whereas,* Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Trade Secrets; and,

*Whereas,* Franchisor and Franchisee have agreed in the Franchise Agreement on the importance to Franchisor and to Franchisee and other licensed users of the System of restricting the use, access and dissemination of the Trade Secrets; and,

*Whereas,* It will be necessary for employees, agents and independent contractors of Franchisee, or any entity having an interest in Franchisee ("Franchisee Affiliates") to have access to and to use some or all of the Trade Secrets in the management and operation of Franchisee's DLFG Outlet using the System; and,

*Whereas,* Franchisee has agreed to obtain from those Franchisee Affiliates written agreements protecting the Trade Secrets and the System against unfair competition; and,

*Whereas*, Franchisee Affiliate desires or will become associated with or be employed by Franchisee; to remain in such employment, or is or will become involved with the Company in the capacity of an officer, partner, director, agent, employee, principal, or as a beneficial owner of the person or entity that has acquired the right to operate a Outlet of the Company (“Franchisee”), or as an immediate family member of the Franchisee and will become privileged as to certain Confidential Information; and,

*Whereas*, Franchisee Affiliate desires and needs to receive and use the Trade Secrets in the course of his employment or association in order to effectively perform the services for Franchisee; and,

*Whereas*, Franchisee Affiliate acknowledges that receipt of and the right to use the Trade Secrets constitutes independent valuable consideration for the representations, promises and covenants made by Franchisee Affiliate herein;

*Now Therefore*, in consideration of the mutual covenant and obligations contained herein, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

### **CONFIDENTIALITY AGREEMENT**

1. Franchisor and/or Franchisee may disclose to Franchisee Affiliate some or all of the Trade Secrets relating to the System. All information and materials, including, without limitation, manuals, drawings, marketing techniques, specifications, techniques and compilations of data that Franchisor provides to Franchisee and/or Franchisee Affiliate shall be deemed confidential Trade Secrets for the purposes of this Agreement.

2. Franchisee Affiliate shall receive the Trade Secrets in confidence and shall, at all times, maintain them in confidence, and use them only in the course of his employment or association with a Franchisee and then only in connection with the development and/or operation by Franchisee of an DLFG Outlet for so long as Franchisee is licensed by Franchisor to use the System.

3. Franchisee Affiliate shall not at any time make copies of any documents or compilations containing some or all of the Trade Secrets without Franchisor's express written permission.

4. Franchisee Affiliate shall not at any time disclose or permit the disclosure of the Trade Secrets except to other employees of Franchisee and only to the limited extent necessary to train or assist other employees of Franchisee in the development or operation of an DLFG Outlet.

5. Franchisee Affiliate shall surrender any material containing some or all of the Trade Secrets to Franchisee or Franchisor, upon request, or upon termination of employment by Franchisee, or upon conclusion of the use for which such information or material may have been furnished to Franchisee Affiliate.

6. Franchisee Affiliate shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Licensed Marks, the Trade Secrets or the System.

7. All manuals are loaned by Franchisor to Franchisee for limited purposes only and remain the property of Franchisor and may not be reproduced, in whole or in part, without Franchisor's written consent.

### **COVENANTS NOT TO COMPETE**

1. In order to protect the goodwill and unique qualities of the System and the confidentiality and value of the Trade Secrets, and in consideration for the disclosure to Franchisee Affiliate of the Trade Secrets, Franchisee Affiliate further agrees and covenants that Franchisee Affiliate will not without the prior written consent of Franchisor:

- a. Have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Outlet, except with Franchisor's approval;

- b. Perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business wherever operating except with Franchisor's approval;
- c. Employ, or seek to employ, any person who is at the time or was within the preceding 180 days employed by Franchisor, any of its affiliates or any of its franchisees, or otherwise directly or indirectly induce such person to leave that person's employment; or
- d. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer of The Dolly Llama Outlet to any competitor;
- e. Make any disparaging remarks, or otherwise take any action or do anything that could reasonably be anticipated to cause loss or damage to the business or business opportunities, affairs, reputation and goodwill of, or otherwise negatively reflect upon, Franchisor, the System or the Licensed Marks; and
- f. The term "Competitive Business" as used in this Agreement means any business (other than an The Dolly Llama operated under a franchise agreement with Franchisor) the primary activity of which is providing [description of franchise] under The Dolly Llama trademarks, trade names, service marks, and logos ("Marks") or the offering of any product or service offered by Franchisor or by Franchisor's approved vendors.

2. This Covenant Not to Compete shall apply:

- (a) during the term of Franchisee Affiliate's relationship, association with or employment by Franchisee anywhere within the United States; and,
- (b) for the two years following the termination of Franchisee Affiliate's association with or employment by Franchisee:
  - (1) within Franchisee's Designated Territory or any area serviced by Franchisee;
  - (2) within counties adjacent to Franchisee's Designated Territory or within a Territory then operated by or under development by Franchisor or another franchisee of Franchisor;
  - (3) within a fifty mile radius from the boundary of Franchisees Designated Territory or from any other franchised or company-owned DL FRANCHISE GROUP LLC Shops, or
  - (4) on the Internet or on any other Multi-Area Marketing channels used by Franchisor.

The restrictions of this Section will not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent five percent (5%) or less of the number of shares of that class of securities issued and outstanding. Franchisee Affiliate, Franchisee, and its officers, directors, shareholders, managers, members and partners expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive them of their personal goodwill or ability to earn a living.

## MISCELLANEOUS

- 1. Franchisee shall make all commercially reasonable efforts to ensure that Franchisee Affiliate acts as required by this Agreement.
- 2. Franchisee and Franchisee Affiliate agree that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisor shall be entitled to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies that are made available to it at law or in equity, including the right to terminate the Franchise Agreement, to a temporary and/or permanent injunction and/or a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm

and without being required to furnish a bond or other security. Franchisee and Franchisee Affiliate agree that Franchisee's and/or Franchisee Affiliate's sole remedy in the event of the entry of such injunctive relief shall be dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Franchisee and by Franchisee Affiliate.

3. Franchisee Affiliate agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Franchisee in enforcing this Agreement.

4. Any failure by Franchisor to object to or take action with respect to any breach of this Agreement by Franchisee Affiliate shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Franchisee Affiliate.

5. THIS AGREEMENT SHALL BE GOVERNED BY, CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA. FRANCHISEE AFFILIATE HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE COURTS OF LOS ANGELES COUNTY, CALIFORNIA OR THE U. S. DISTRICT COURT FOR THE DISTRICT OF CALIFORNIA. FRANCHISEE AFFILIATE HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. FRANCHISEE AFFILIATE HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY CALIFORNIA OR FEDERAL LAW. FRANCHISEE AFFILIATE FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE IN LOS ANGELES COUNTY, CALIFORNIA; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION THAT INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE THAT HAS JURISDICTION.

6. The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a part, Franchisee Affiliate expressly agrees to be bound by any lesser covenant embraced within the terms of such covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement. If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement which shall otherwise remain in full force and effect.

7. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

8. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective affiliates, successor and assigns. The respective obligations of Franchisee and Franchisee Affiliate hereunder may not be assigned by Franchisee or Franchisee Affiliate without the prior written consent of Franchisor.

9. The waiver by Franchisor of any breach of any provision of this Agreement by Franchisee or Franchisee Affiliate shall not operate or be construed as a waiver of any subsequent breach thereof.

10. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation, as determined by the court in a final judgment or decree, shall

pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

11. All notices and demands required to be given hereunder shall be in writing and shall be sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile, telegram or telex (provided that the sender confirms the facsimile, telegram or telex by sending an original confirmation copy by certified or registered mail or expedited delivery service within three business days after transmission), to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

12. All notices and other communications required by this Agreement must be in writing and must be delivered in person, sent by Federal Express, or by U.S. Mail overnight delivery or certified mail, return receipt requested, or in any other manner Franchisor may designate. Communications sent to Franchisor must be sent to the attention of the Chief Executive Officer at Franchisor's address or at any other address Franchisor designates in writing. Communications to Franchisee will be sent to Franchisee at Franchisee's last known business address, or at any other address Franchisee designates in writing. Any notice is considered given and received, when delivered in person, or on the third business day following the mailing, if mailed.

If directed to Franchisee Affiliate, the notice shall be addressed to:

\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Email: \_\_\_\_\_

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving 15 days' written notice of such change to the other parties. A "business day" for the purpose of this Agreement excludes Saturday, Sunday and national holidays.

The effective date of Agreement shall be \_\_\_\_\_.

FRANCHISEE:

FRANCHISEE AFFILIATE:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Printed Name

Date signed: \_\_\_\_\_

Date signed: \_\_\_\_\_

Relationship of Franchisee Affiliate to the Franchisee: \_\_\_\_\_

## ATTACHMENT V to the FRANCHISE AGREEMENT

*(To be used at time of Transfer of Franchise and for other designated purposes)  
(Should not be signed at time of award of Initial Franchise)*

### **FULL AND FINAL MUTUAL RELEASE**

FOR AND IN CONSIDERATION of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by all parties, the parties agree and covenant as follows:

1. DL FRANCHISE GROUP LLC ("the Franchisor"), does hereby release and forever discharge \_\_\_\_\_ ("the Franchisee"), its officers, directors, successors, shareholders, agents, assigns, employees, representatives, and any and all other persons, firms and corporations whatsoever, from any and all claims, demands, damages, actions, causes of action, or suits of any kind or nature whatsoever, both known and unknown, arising out of, related to or in any way connected with the Franchise Agreement dated \_\_\_\_\_ and specifically including but not limited to, any and all claims or demands which may have been alleged or any other future claims related to the above Franchise Agreement.
2. The undersigned \_\_\_\_\_ (the "Franchisee") and its shareholders, officers, and directors does hereby release and forever discharge DL FRANCHISE GROUP LLC ("the Franchisor"), its, successors, agents, assigns, officers, directors, shareholders, employees, representatives, and any and all other persons, firms and corporations whatsoever, from any and all claims, demands, damages, actions, causes of action, or suits of any kind or nature whatsoever, both known and unknown, breach of contract, defamation, and any claims whatsoever. This Full, Final and Absolute Mutual Release (the "Release") shall apply to all agreements or contracts existing or entered into by and between \_\_\_\_\_ ("the Franchisee") and DL FRANCHISE GROUP LLC.
3. It is understood and agreed that the settlement evidenced by this Release is a compromise of all claims herein specified, whether past, present or future, that such claims are doubtful and disputed, and that execution of this Release is not to be construed as an admission of liability on the part of any party. Rather, liability is expressly denied.
4. The consideration expressly mentioned herein is the only consideration paid or to be paid by said parties hereby released. No representations as to damages or liability have been made. The parties acknowledge that no other party, or agent, or attorney of any other party, has made any promise, or representation or warranty to induce this Release, not herein expressly set forth, and no such promises, representations or warranties are relied upon as a consideration for this Release, or otherwise, but any and all of the parties' respective claims, of whatever nature are hereby fully and forever released, compromised and settled. Full and complete compromise, settlement, and accord and satisfaction are hereby acknowledged, and it is expressly agreed by the undersigned parties never to sue any of the other parties hereby released on any alleged promise, representation or warranty for this Release not herein expressly set forth.
5. This Agreement contains the entire agreement and understanding between the parties as to the matters specified herein and supersedes and replaces all prior negotiations or proposed

agreements on this subject matter, whether written or oral. The terms contained herein may not be modified or amended except in writing signed by the parties. The terms of this Release are contractual and not a mere recital. Since the purpose of this Release is to end this matter forever, should it develop that there are any errors, mistakes or any omissions in this instrument, whether legal or factual and whether mutual or unilateral, which would cause the release of the parties herein released to be defective or less than complete, then the undersigned will sign any and all documents and do any and all things necessary to effectuate a full, final and absolute release of said party.

6. The undersigned further state that they have carefully read the foregoing instrument; that they know the contents thereof; that they understand and agree to each and every term and condition contained herein; that they signed the same as their own free act and deed; and that they have not assigned any rights released hereunder to any person or organization, private or governmental.
7. The terms of this Release arose from negotiations and discussions between the parties. Accordingly, no claimed ambiguity in this Release shall be construed against any party claimed to have drafted or proposed the language in question.
8. This Release shall be governed by and construed pursuant to the laws of the State of California.
9. This Release may be executed in two copies, each of which shall be deemed an original.

WITNESS OUR SIGNATURES

**FRANCHISOR:**  
DL FRANCHISE GROUP LLC,  
a California limited liability company

By: \_\_\_\_\_  
Eric Shomof, CEO  
Date signed: \_\_\_\_\_

**FRANCHISEE:**  
\_\_\_\_\_  
a \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

**ATTACHMENT VI to the FRANCHISE AGREEMENT**

**COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS**

Franchisee, Assignor, in consideration of Franchisor, DL FRANCHISE GROUP LLC, granting a The Dolly Llama franchise contemporaneously herewith to Franchisee, and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, hereby appoints DL FRANCHISE GROUP LLC, Assignee, as Franchisee's agent to transfer and /or cancel, at the discretion of DL FRANCHISE GROUP LLC, all telephone and/or fax numbers and/or listings utilized and/or to be utilized by Franchisee in the operation of Franchisee's DLFG Outlet. This Assignment is valid on the effective date and shall remain irrevocable. It applies equally to any numbers in use on or after the effective date. Any telephone / fax number provider is authorized to rely upon this Appointment at any time that a copy of this Appointment is delivered to the provider by Franchisor. Assignee and Assignor each agree to hold harmless and indemnify the telephone / fax number provider from any and all claims based upon the telephone / fax number provider's reliance upon this Appointment / Assignment. Assignee and Assignor each agree to sign any other documents necessary in the opinion of the telephone / fax number provider to give full effect to this Assignment.

Dated: \_\_\_\_\_

**ASSIGNEE (Franchisor):**

**FRANCHISOR:**  
DL FRANCHISE GROUP LLC,  
a California limited liability company

By: \_\_\_\_\_  
Eric Shomof, CEO  
Date signed: \_\_\_\_\_

**ASSIGNOR (Franchisee):**

**FRANCHISEE:**  
\_\_\_\_\_  
a \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

Subject Telephone / Fax number(s) (as of date of this document):

\_\_\_\_\_  
\_\_\_\_\_

**ATTACHMENT VII to the FRANCHISE AGREEMENT**  
**INTERNET WEB SITES AND LISTINGS AGREEMENT**

**THIS INTERNET WEB SITES AND LISTINGS AGREEMENT** (the “Internet Listing Agreement”) is an attachment to that one certain DL FRANCHISE GROUP LLC Franchise Agreement (“Agreement”), between DL FRANCHISE GROUP LLC (“Franchisor”) and the Franchisee identified below (“Franchisee”) and is made effective as of the date of the Franchise Agreement.

**W I T N E S S E T H:**

WHEREAS, Franchisee desires to enter into a Franchise Agreement with Franchisor for a The Dolly Llama Outlet (the “Franchise Agreement”); and

WHEREAS, Franchisor would not enter into the Franchise Agreement without Franchisee’s agreement to enter into, comply with, and be bound by all the terms and provisions of this Internet Listing Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **DEFINITIONS**

All terms used but not otherwise defined in this Internet Listing Agreement shall have the meanings set forth in the Franchise Agreement. “Termination” of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. **TRANSFER; APPOINTMENT**

2.01 Interest in Internet Web Sites and Listings. Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of the Franchise Agreement, certain right, title, and interest in and to certain domain names, hypertext markup language, uniform resource locator addresses, and access to corresponding internet web sites, and the right to hyperlink to certain web sites and listings on various internet search engines (collectively, the “Internet Web Sites and Listings”) related to the Outlet or the Marks (all of which right, title, and interest is referred to herein as “Franchisee’s Interest”).

2.02 Transfer. On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately direct all internet service providers, domain name registries, internet search engines, and other listing agencies (collectively, the “Internet Companies”) with which Franchisee has Internet Web Sites and Listings: (i) to transfer all of Franchisee’s Interest in such Internet Web Sites and Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Internet Web Sites and Listings, Franchisee will immediately direct the Internet Companies to terminate such Internet Web Sites and Listings or will take such other actions with respect to the Internet Web Sites and Listings as Franchisor directs.

2.03 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor's benefit under the Franchise Agreement and this Internet Listing Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Internet Listing Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Internet Listing Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

- a). Direct the Internet Companies to transfer all Franchisee's Interest in and to the Internet Web Sites and Listings to Franchisor;
- b). Direct the Internet Companies to terminate any or all of the Internet Web Sites and Listings; and
- c). Execute the Internet Companies' standard assignment forms or other documents in order to affect such transfer or termination of Franchisee's Interest.

2.04 Certification of Termination. Franchisee hereby directs the Internet Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.05 Cessation of Obligations. After the Internet Companies have duly transferred all Franchisee's Interest in such Internet Web Sites and Listings to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations under, such Internet Web Sites and Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Internet Companies for the sums Franchisee is obligated to pay such Internet Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interest, or for any other obligations not subject to the Franchise Agreement or this Internet Listing Agreement.

### 3. MISCELLANEOUS

3.01 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertable in, or in any way related to this Internet Listing Agreement.

3.02 Indemnification. Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, demands, or obligations that are related to or are based on this Internet Listing Agreement.

3.03 No Duty. The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any or all such Internet Web Sites and Listings.

3.04 Further Assurances. Franchisee agrees that at any time after the date of this Internet Listing Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Internet Listing Agreement.

3.05 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Internet Listing Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Internet Listing Agreement.

3.06 Effect on Other Agreements. Except as otherwise provided in this Internet Listing Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein.

3.07 Survival. This Internet Listing Agreement shall survive the Termination of the Franchise Agreement.

3.08 Joint and Several Obligations. All Franchisee's obligations under this Internet Listing Agreement shall be joint and several.

3.09 Governing Law. This Internet Listing Agreement shall be governed by and construed under the laws of the State of California, without regard to the application of California conflict of law rules.

IN WITNESS WHEREOF, the undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

**FRANCHISOR:**  
DL FRANCHISE GROUP LLC,  
a California limited liability company

By: \_\_\_\_\_  
Eric Shomof, CEO  
Date signed: \_\_\_\_\_

**FRANCHISEE:**  
\_\_\_\_\_  
a \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

**ATTACHMENT VIII(i) to the FRANCHISE AGREEMENT  
COLLATERAL ASSIGNMENT OF LEASE**

FOR VALUE RECEIVED, the undersigned Franchisee/Tenant (“Assignor”) assigns, transfers and sets over to DL FRANCHISE GROUP LLC., a California limited liability company (“Assignee”), all of Assignor’s right and title to and interest in that certain “Lease” a copy of which is attached as Exhibit A, respecting premises commonly known as \_\_\_\_\_. This assignment is for collateral purposes only and except as specified in this document Assignee will have no liability or obligation of any kind whatsoever arising from or in connection with this assignment or the Lease unless and until Assignee takes possession of the premises the Lease demises according to the terms of this document and assumes Assignor’s obligations under the Lease.

Assignor represents and warrants to Assignee that it has full power and authority to assign the Lease and that Assignor has not previously assigned or transferred and is not otherwise obligated to assign or transfer any of its interest in the Lease or the premises it demises.

Upon Assignor’s default under the Lease or under the “Franchise Agreement” for a Dolly Llama Shop between Assignee and Assignor or in the event Assignor defaults under any document or instrument securing the Franchise Agreement Assignee has the right to take possession of the premises the Lease demises and expel Assignor from the premises. In that event Assignor will have no further right and title to or interest in the Lease but will remain liable to Assignee for any past due rental payments or other charges Assignee is required to pay Lessor to effectuate the assignment this document contemplates.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment, or modification of the Lease without Assignee’s prior written consent. Throughout the term of the Franchise Agreement Assignor agrees that it will elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day upon which the option must be exercised unless Assignee agrees otherwise in writing. Upon Assignee’s failure to agree otherwise in writing and upon Assignor’s failure to elect to extend or renew the Lease as required Assignor appoints Assignee as its true and lawful attorney-in-fact with the authority to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal.

ASSIGNEE (Franchisor):  
**FRANCHISOR:**  
DL FRANCHISE GROUP LLC,  
a California limited liability company

By: \_\_\_\_\_  
Eric Shomof, CEO  
Date signed: \_\_\_\_\_

ASSIGNOR (Franchisee):  
**FRANCHISEE:**  
\_\_\_\_\_  
a \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

Note: Attach a copy of Lease and mark as “Exhibit A”

**ATTACHMENT VIII (ii) to the FRANCHISE AGREEMENT**  
**CONSENT TO COLLATERAL ASSIGNMENT AND AGREEMENT OF LESSOR**

The undersigned Lessor (Landlord) under the Lease:

(a) Agrees to notify Assignee in writing of and upon Assignor's failure to cure any default by Assignor under the Lease. Assignee's contact information for purpose of notice is: DL FRANCHISE GROUP LLC, 724 S Spring St #801, Los Angeles, California 90014, and phone (213) 300-3801 email: franchise@thedollyllamaus.com.

(b) Agrees that Assignee will have the right, but not the obligation, to cure any default by Assignor under the Lease within thirty (30) days after Lessor's delivery of notice of the default under section (a) above;

(c) Consents to the Collateral Assignment and agrees that if Assignee takes possession of the premises the Lease demises and confirms to Lessor that it has assumed the Lease as tenant, Lessor will recognize Assignee as tenant under the Lease, provided that Assignee cures within the thirty (30) day period noted in section (b) above Assignor's defaults under the Lease; and

(d) Agrees that Assignee may further assign the Lease to or enter into a sublease with a person, firm or corporation who agrees to assume the tenant's obligations under the Lease and is reasonably acceptable to Lessor and that upon that assignment Assignee will have no further liability or obligation under the Lease as assignee, tenant or otherwise, other than to certify that the additional assignee or sublessee operates the premises the Lease demises as a The Dolly Llama Outlet.

Dated: \_\_\_\_\_

Lessor:

\_\_\_\_\_  
\_\_\_\_\_

**Assignee (Franchisor):**  
**FRANCHISOR:**  
DL FRANCHISE GROUP LLC,  
a California limited liability company

By: \_\_\_\_\_  
Eric Shomof, CEO  
Date signed: \_\_\_\_\_

**Assignor: (Franchisee)**  
**FRANCHISEE:**

\_\_\_\_\_  
a \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

**ATTACHMENT IX of the FRANCHISE AGREEMENT**

**AMERICANS WITH DISABILITIES ACT CERTIFICATION**

This Acknowledgement is an Attachment to that one certain Franchise Agreement (“Agreement”) between **DL FRANCHISE GROUP LLC** (“Franchisor”) and the Franchisee identified below (“Franchisee”) regarding the operation of a Dolly Llama Shop at the location identified below.

NOW THEREFORE, Franchisee stipulates that:

In accordance with Section 10.05 of the Franchise Agreement, Franchisee certifies to Franchisor that, to the best of Franchisee’s knowledge, the Approved Location and its adjacent areas comply with all applicable federal, state and local accessibility laws, statutes, codes, rules, regulations and standards, including but not limited to the Americans with Disabilities Act.

Franchisee acknowledges that it is an independent contractor and the requirement of this certification by Franchisee does not constitute ownership, control, leasing or operation of the Outlet.

Franchisee acknowledges that Franchisor has relied on the information contained in this certification.

Furthermore, Franchisee acknowledges its obligation under this Franchise Agreement to indemnify Franchisor and the officers, directors, and employees of Franchisor in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified part(ies) as a result of any matters associated with Franchisee’s compliance with the Americans with Disabilities Act, as well as the costs, including attorneys’ fees, related to the same.

Location of the Dolly Llama Shop: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_  
a \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

## ATTACHMENT X to the FRANCHISE AGREEMENT

### PERSONAL GUARANTEE

The undersigned signatory(ies) ("Guarantor(s)") has / have individually requested DL FRANCHISE GROUP LLC, a California limited liability company ("Franchisor"), to enter into a Franchise Agreement and, if appropriate, an Area Development Agreement, both dated \_\_\_\_\_ (Agreement(s)) with \_\_\_\_\_, an entity formed in the State of \_\_\_\_\_ "Franchisee").

In consideration for, and as an inducement to, Franchisor's execution of the Agreement(s), Guarantor(s) hereby individually grant this guarantee (this "Guarantee") and hereby agree as follows:

1. "Obligations" means and includes any and all obligations of Franchisee arising under or pursuant to the Franchise Agreement or Area Development Agreement and all other obligations, whether now existing or hereafter arising, of Franchisee to Franchisor of whatever nature.
2. Guarantor(s) each irrevocably and unconditionally, fully guarantees to Franchisor the prompt, full and complete payment of any and all obligations of Franchisee to Franchisor and the performance of any and all Obligations of Franchisee including, without limitation, obligations under the Franchise Agreement and/or the Area Development or any other agreement, instrument or document relating to, evidencing or securing any obligations.
3. If Franchisee fails to pay any of the Obligations, Guarantor(s), whether jointly and/or severally, shall, within five (5) days after a written demand therefore has been given to Guarantor by Franchisor, pay all of the Obligations in like manner as if the Obligations constituted the direct and primary Obligation of each Guarantor. Each Guarantor agrees that if any Obligation, covenant or agreement contained in the Agreement(s) is/are not observed, performed or discharged as required by the Agreement(s) (taking into consideration any applicable cure periods), said Guarantor shall, within five (5) days after a written demand therefore has been given to said Guarantor by Franchisor, to observe, perform or discharge the Obligation, covenant or agreement in like manner as if the same constituted the direct and primary Obligation of said Guarantor.
4. No exercise or non-exercise by Franchisor of any right under this Guarantee, no dealing by Franchisor with Franchisee or any other person and no change, impairment or suspension of any right or remedy of Franchisor shall in any way affect any Obligations of each Guarantor under this Guarantee or give said Guarantor any recourse against Franchisor. Without limiting the generality of the foregoing, each Guarantor agrees that, regardless of whether Franchisor gives notice thereof or obtains the consent of said Guarantor thereto, each Guarantor's liability under this Guarantee shall not be released, extinguished or otherwise reduced in any way by reason of (i) any amendment, modification, renewal, extension, substitution or replacement of the Agreement(s) or of any of the Obligations, in whole or in part, (ii) any acceptance, enforcement or release by Franchisor of any security for the Agreement(s) or of any of the Obligations, any addition, substitution or release of the said Guarantor, or any enforcement, waiver, surrender, impairment, release, compromise or settlement of any matter with respect to the Agreement(s) or the Obligations or any security therefore, (iii) any assignment of this Guarantee, in whole or in part by Franchisor, or any Assignment or transfer of the Agreement(s) (or any of them) by Franchisor or Franchisee, (iv) the invalidity or unenforceability of any provision of the Franchise Agreement or any of the Obligations,

or (v) any failure, omission or delay of Franchisor in enforcing the Agreement(s), the Obligations or this Guarantee.

5. Each Guarantor waives and agrees not to assert or take advantage of (i) any right to require Franchisor to proceed against Franchisee or any other person, firm or corporation or to proceed against or exhaust any security held by Franchisor at any time or to pursue any other remedy in Franchisor's power, (ii) any statute of limitations in any action under this Guarantee to collect any Obligations guaranteed hereby, (iii) any defense that may arise by reason of Franchisee's incapacity, lack of authority, insolvency or bankruptcy or Franchisor's failure to file or enforce a claim against the estate (either in bankruptcy or other proceeding) of Franchisee, any other or others, (iv) any defense arising out of any alteration of the Agreement(s) or the Obligations, (v) notice of Franchisee's Default in the payment or performance of any of the Obligations, (vi) demand, protest and notice of any kind including, without limitation, notice of acceptance, notice of the existence, creation or incurring of new or additional Obligations or Obligations or of any action or non-action on the part of Franchisee, Franchisor, any endorser, creditor of Franchisee or said Guarantor under this or any other instrument, or any other person, in connection with any Obligation or evidence of Obligations held by Franchisor or in connection with any Obligations hereby guaranteed, (vii) all rights and defenses arising out of an election of remedies by Franchisor, even though that election of remedies, such as non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed said Guarantor's rights of subrogation and reimbursement against Franchisee by operation of applicable law or otherwise, (viii) any duty of Franchisor to disclose to either Guarantor any facts that Franchisor may now or hereafter know about Franchisee, regardless of whether Franchisor has reason to believe that those facts materially increase the risk beyond that which said Guarantor intends to assume or has reason to believe that the facts are unknown to said Guarantor or has a reasonable opportunity to communicate the facts to said Guarantor, it being understood and agreed that each Guarantor is responsible to be and to keep informed of Franchisee's financial condition and of all circumstances bearing on the risk of nonpayment of any Obligations hereby guaranteed, and (ix) any right to the benefit of or to direct the application of any security held by Franchisor.

6. Until all Obligations to Franchisor are paid in full and fully performed, neither Guarantor shall have any right of subrogation and hereby waives any right to enforce any remedy that Franchisor now has or may hereafter have against Franchisee. All existing or future indebtedness of Franchisee to a Guarantor and any right to withdraw capital invested in Franchisee by Guarantor is hereby subordinated to all Obligations.

7. Guarantor's liabilities and all rights, powers and remedies of Franchisor under this Guarantee and under any other agreement now or at any time hereafter in force between Franchisor and said Guarantor shall be cumulative and not alternative and the rights, powers and remedies shall be additional to all rights, powers and remedies given to Franchisor by Applicable Law. Without limiting the generality of anything contained in this Guarantee, each Guarantor waives and agrees not to assert or take advantage of (i) all rights described in California Civil Code Section 2856(a)(1) through (3), inclusive, including, without limitation, any rights and defenses which are or may become available to said Guarantor by reason of California Civil Code Sections 2787 through 2855, inclusive; and (ii) California Civil Code Section 2899.

8. The liability of each Guarantor under this Guarantee shall be an absolute, direct, immediate and unconditional continuing guarantee of payment and performance and not of collection. Both Guarantors obligations under this Guarantee are independent of Franchisee's obligations. This is a

continuing Guarantee. It shall be irrevocable during the initial term and each renewal term and through any extensions, amendments, modifications, substitutions or replacements of the Agreement(s) and until all Obligations has been fully paid and the Obligations have been fully performed. In the event of any Default under this Guarantee, a separate action and/or successive actions may be brought and prosecuted against a Guarantor regardless of whether action is brought against Franchisee or whether Franchisee is joined in any action or actions. Franchisor may maintain successive actions for other Defaults.

Franchisor's rights under this Guarantee shall not be exhausted by Franchisor's exercise of any rights or remedies or by any action or by any number of successive actions until and unless all Obligations have fully been paid and performed. The Obligations of a Guarantor shall be primary and are independent of the Obligations of Franchisee and Franchisor may directly enforce its rights under this Guarantee without proceeding against or joining Franchisee or any other person or Entity, or applying or enforcing any security of the Agreement(s). Each Guarantor acknowledges and agrees that said Guarantor shall, and hereby is, bound by each and all of the confidentiality and non-competition provisions of the Agreement(s).

9. Neither any provision of this Guarantee nor right of Franchisor under this Guarantee can be waived, nor can a Guarantor be released from said Guarantor's obligations under this Guarantee except by a written agreement executed by Franchisor. If any provision or portion of any provision of this Guarantee is found by a court of competent jurisdiction to be illegal or unenforceable, all other provisions shall, nevertheless, remain enforceable and effective. This Guarantee constitutes the entire agreement of each Guarantor and Franchisor with respect to the subject matter of this Guarantee and no representation, understanding, promise or condition concerning the subject matter of this Guarantee shall bind Franchisor unless expressed in this Guarantee.

10. All written notices permitted or required under this Guarantee shall be deemed given and delivered in accordance with Section 18.10 of the Franchise Agreement. Notices to a Guarantor shall be sent to the address set forth below each Guarantor's signature below.

11. This Guarantee may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Guarantee with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Guarantee for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Guarantee. In addition, this Guarantee may be signed electronically by the Guarantor and electronic signatures appearing on this Guarantee shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Guarantee.

12. This Guarantee shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Guarantee would not be enforceable under the laws of California, and if the Franchised Shop is located outside of California and such provision would be enforceable under the laws of the state in which the Franchised Shop is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Paragraph 12 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. Venue for purposes of any legal proceedings brought in connection with or arising out of this Guarantee shall be

conclusively presumed to be in the State of California, County of Los Angeles. Guarantor hereby submits to the jurisdiction of the United States District Court for the Central District of California.

Executed by Guarantor(s) on the date set forth below.

Signature: \_\_\_\_\_

Address: \_\_\_\_\_

Date signed: \_\_\_\_\_

Signature: \_\_\_\_\_

Address: \_\_\_\_\_

Date signed: \_\_\_\_\_

# EXHIBIT C



**DL FRANCHISE GROUP LLC**

## **LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

# EXHIBIT C

## DL FRANCHISE GROUP LLC

### LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>CALIFORNIA</b>	Department of Financial Protection and Innovation (DFPI)  <u>Sacramento Main Office:</u> 2101 Arena Boulevard Sacramento, CA 95834  <u>San Francisco:</u> One Sansome Street, Suite 600 San Francisco, CA 94105  <u>Los Angeles:</u> 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344  (866)-275-2677 www.dfpi.ca.gov	Commissioner of Financial Protection and Innovation 2101 Arena Blvd Sacramento, CA 95834 1-866-275-2677 www.dfpi.ca.gov
<b>CONNECTICUT</b>	Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06106 (203) 240-8299	Connecticut Banking Commissioner Same Address
<b>FLORIDA</b>	Department of Agriculture & Consumer Services P.O. Box 6700 Tallahassee, FL 32399-6700 (800) 435-7352	Same
<b>GEORGIA</b>	Office of Consumer Affairs 2 Martin Luther King Drive, S.E. Plaza Level, East Tower Atlanta, GA 30334 (404) 656-3790	Same
<b>HAWAII</b>	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P. O. Box 40 Honolulu, Hawaii 96810 (808) 586-2722	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Securities Compliance Branch 335 Merchant St., Room 205 Honolulu, HI 96810

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>ILLINOIS</b>	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General Same Address
<b>INDIANA</b>	Securities Commissioner Indiana Securities Division Room E 111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
<b>IOWA</b>	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 (515) 281-5705	Same
<b>KENTUCKY</b>	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 (502) 696-5300	Same
<b>LOUISIANA</b>	Department of Urban & Community Affairs Consumer Protection Office 301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801 (504) 342-7013 (gen. info.) (504) 342-7900	Same
<b>MAINE</b>	Department of Business Regulations State House - Station 35 Augusta, ME 04333 (207) 298-3671	Same
<b>MARYLAND</b>	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-7044	Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020
<b>MICHIGAN</b>	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>MINNESOTA</b>	Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101 (651) 296-4026	Minnesota Commissioner of Commerce Same Address
<b>NEBRASKA</b>	Department of Banking and Finance 1230 "O" Street, Suite 400 P.O. Box 95006 Lincoln, NE 68509-5006 (402) 471-3445	Director of the Department of Banking and Finance Same
<b>NEW HAMPSHIRE</b>	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 (603) 271-3641	Same
<b>NEW YORK</b>	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8222	Secretary of State of New York 99 Washington Avenue Albany, New York 12231
<b>NORTH CAROLINA</b>	Secretary of State's Office Securities Division Legislative Annex Building 300 Salisbury Street Raleigh, NC 27602 (919) 733-3924	Secretary of State Secretary of State's Office 300 Salisbury Street Raleigh, NC 27602
<b>NORTH DAKOTA</b>	North Dakota Securities Department 600 East Boulevard Avenue State Capital, 5th Floor, Dept 414 Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner Same Address
<b>OHIO</b>	Attorney General Consumer Fraud & Crime Section State Office Tower 15th Floor 30 East Broad Street Columbus, OH 43215 (614) 466-8831 or (800) 282-0515	Same
<b>OKLAHOMA</b>	Oklahoma Securities Commission 2915 Lincoln Blvd. Oklahoma City, OK 73105 (405) 521-2451	Same
<b>OREGON</b>	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 (503) 378-4387	Director Department of Insurance and Finance Same Address

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>RHODE ISLAND</b>	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Ave., Building 69-1 Cranston, RI 02910 (401) 462-9588	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Ave., Building 69-1 Cranston, RI 02910 (401) 462-9588
<b>SOUTH CAROLINA</b>	Secretary of State P.O. Box 11350 Columbia, SC 29211 (803) 734-2166	Same
<b>SOUTH DAKOTA</b>	Department of Labor and Regulation Securities Regulation 124 S. Euclid Suite 104 Pierre, SD 57501 (605) 773-4823	Director of South Dakota Division of Securities Same Address
<b>TEXAS</b>	Attorney General's Office Consumer Protection Division P.O. Box 12548 Austin, TX 78711 (512) 463-2070	Same
<b>UTAH</b>	Utah Department of Commerce Consumer Protection Division 160 East 300 South P.O. Box 45804 Salt Lake City, UT 84145-0804 (801) 530-6001	Same
<b>VIRGINIA</b>	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, Ninth Floor Richmond, VA 23219 (804)-371-9051	Clerk of the State Corporation Commission 1300 E. Main Street, 1 <sup>st</sup> Floor Richmond, VA 23219 (804) 371-9733
<b>WASHINGTON</b>	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760	State of Washington Securities Administrator Washington State Department of Financial Institutions 150 Israel Rd. SW Tumwater, WA 98501
<b>WISCONSIN</b>	Commission of Securities P.O. Box 1768 Madison, WI 53701-1768 (608) 266-1365	Wisconsin Commissioner of Securities Same Address

# **EXHIBIT D**



**DL FRANCHISE GROUP LLC**

**MULTI-STATE LAW ADDENDA TO  
FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND  
AREA DEVELOPMENT AGREEMENT**

## **EXHIBIT D**

### **DL FRANCHISE GROUP LLC**

#### **MULTI-STATE LAW ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT**

The following modifications are to the DL FRANCHISE GROUP LLC Franchise Disclosure Document, Franchise Agreement and Area Development Agreement and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement dated June 15, 2023

## CALIFORNIA

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the Disclosure Document.
2. Neither the franchisor, nor any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.
3. California Business and Professions Code 20000 through 20043 provides rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement or Area development agreement contains a provision that is inconsistent with the law, the law will control.
4. The franchise agreement and Area development agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Sec. 101 et seq.)
5. The franchise agreement and Area development agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
6. The franchise agreement and Area development agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
7. Under Current California Law, the highest interest rate allowed is 10% per annum. Item 6 of the Franchise Disclosure Document and Section 5.4 of the Franchise Agreement are amended accordingly.
8. The franchise agreement and Area Development agreement requires binding arbitration. The arbitration will occur in California with the costs being borne by both parties.
9. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
10. The franchise agreement and Area development agreement requires application of the laws of California. This provision may not be enforceable under California law.
11. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
12. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).
13. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION, COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).
14. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other

person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

15. The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open..

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum and understands and consents to be bound by all of its terms.

**FRANCHISOR:**  
DL FRANCHISE GROUP LLC,  
a California limited liability company

By: \_\_\_\_\_  
Eric Shomof, CEO  
Date signed: \_\_\_\_\_

**FRANCHISEE:**  
\_\_\_\_\_  
a \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

## ILLINOIS

Item 17(v) of the Franchise Disclosure Document and Section 16.06 of the Franchise Agreement are amended to state that any provision that designates jurisdiction or venue in a forum outside the State of Illinois will not be enforceable and is amended to the extent required by Illinois law.

The governing law or choice of law clause that allows for jurisdiction or venue other than Illinois will not be enforceable under Illinois law. This governing law clause shall not be construed to negate the application of the Illinois Franchise Disclosure Act in all situations to which it is applicable. Therefore, Item 17(v)(w) of the Franchise Disclosure Document and Section 16.06 of the Franchise Agreement are amended accordingly.

Section 705(41) of the Illinois Franchise Disclosure Act states any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

No action for liability under the Illinois Franchise Disclosure Act shall be maintained unless brought before the expiration of 3 years after the act or transaction constituting the violation upon which it is based, the expiration of 1 year after the franchisee becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to the franchisee of a written notice disclosing the violation, whichever shall first expire. Item 17(b) of the Franchise Disclosure Document, Section 3 of the Franchise Agreement is amended accordingly.

The conditions under which a franchise can be terminated and your rights upon nonrenewal, as well as the application by which you must bring any claims, may be affected by Sections 705/19 and 20 of the Illinois Franchise Disclosure Act of 1987, 815 ILCS 705/19 and 705/20.

Section 5(2) of the Illinois Franchise Disclosure Act requires 14 calendar days' disclosure prior to the signing of a binding agreement or the payment of any fees to us. Item 23 of the Disclosure Document is amended accordingly, to the extent required by Illinois law.

No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum and understands and consents to be bound by all of its terms.

**FRANCHISOR:**

DL FRANCHISE GROUP LLC,  
a California limited liability company

By: \_\_\_\_\_  
Eric Shomof, CEO  
Date signed: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_  
a \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

INDIANA

It is unlawful for any franchise agreement between any franchisor and a franchisee who is a resident of Indiana or a non-resident who is to operate the franchise in Indiana to contain a provision that requires a franchisee not to compete with the franchisor in an area greater than the Designated territory granted in the franchise agreement or, if no Designated territory is granted, in an area of more than reasonable size, upon Termination of a franchise agreement. (Ind. Code § 23-2-2.7-1(9)). Accordingly, both the Franchise Agreement and Item 17 of the Disclosure Document are amended to apply to the area within a 50-mile radius of The Dolly Llama.

The Franchise Agreement requires binding arbitration. The arbitration will occur in a state other than Indiana, with costs being borne by the non-prevailing party. The provision concerning the place where arbitration will occur is deleted from the Franchise Agreement.

The Franchise Agreement requires application of the laws of another state. This provision is deleted from the Indiana Franchise Agreement.

Item 17 of the Disclosure Document, Sections (u), (v), and (w), is amended to omit any reference to selection of an out-of-Indiana forum or choice of law.

The franchise agreement requires you to sign a general release of claims as a condition of renewing or reselling the franchise. Under the law of Indiana any provision that purports to bind a person acquiring a franchise to waive compliance with the franchise laws of Indiana is void. The Franchise Agreement and Item 17 of the Disclosure Document, Sections (b) (renewal) and (k) (transfer) are amended to omit the requirement that an Indiana Franchisee sign a general release of claims as a condition of renewal or resale. This will not prevent Franchisor from requiring you to sign a general release of claims as part of a settlement of a dispute.

No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum and understands and consents to be bound by all of its terms.

**FRANCHISOR:**  
DL FRANCHISE GROUP LLC,  
a California limited liability company

By: \_\_\_\_\_  
Eric Shomof, CEO  
Date signed: \_\_\_\_\_

**FRANCHISEE:**  
\_\_\_\_\_  
a \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

**MARYLAND**

The following amends the Franchise Disclosure Document, Franchise Agreement and Area Development:

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.). Item 17H of the Franchise Disclosure Document and Section 5.05 of the Franchise Agreement are amended to add this provision.

Item 17M of the Franchise Disclosure Document, Section 14.04(b) of the Franchise Agreement is amended to state that The general release required as a condition of sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Item 17 W of the Franchise Disclosure Document is amended to state; A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Item 17 V of the Franchise Disclosure Document is amended to state: Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Section 19 of the Franchise Agreement is amended to state: All representations requiring prospective franchisees to assent to a release, estoppels or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum and understands and consents to be bound by all of its terms.

**FRANCHISOR:**  
DL FRANCHISE GROUP LLC,  
a California limited liability company

By: \_\_\_\_\_  
Eric Shomof, CEO  
Date signed: \_\_\_\_\_

**FRANCHISEE:**  
\_\_\_\_\_  
a \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

**MINNESOTA**

We will comply with Minnesota Statute 80C.14 subdivisions 3, 4, and 5, which require except in certain specific cases, that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

In accordance with Minnesota Rule 2860.4400J, to the extent required by law, the Disclosure Document and Franchise Agreement are modified so that we can not require you to waive your rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties, or judgment notes; provided that this part shall not bar an exclusive arbitration clause.

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a general release. The Disclosure Document and Franchise Agreement are modified accordingly, to the extent required by Minnesota law.

Pursuant to Minn. Stat. Sec. 80C.12, Subd. 1(g), to the extent required by law, the Franchise Agreement and Item 13 of the Disclosure Document are amended to state that we will protect your right to use the primary trademark, service mark, trade name, logotype or other commercial symbol or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of our primary trade name.

Pursuant to Minn. Stat. Sec. 80C.17, Subd. 5, to the extend required by law, the Franchise Agreement and Item 17 of the Disclosure Document are amended to state that no action may be commenced pursuant to this section more than three years after the cause of action accrues.

No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

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Date signed: \_\_\_\_\_

**FRANCHISEE:**

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a \_\_\_\_\_

By: \_\_\_\_\_  
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Date signed: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

## NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added to Item 3.

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or

department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend**,” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”: You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

6. No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum and understands and consents to be bound by all of its terms.

**FRANCHISOR:**  
DL FRANCHISE GROUP LLC,  
a California limited liability company

By: \_\_\_\_\_  
Eric Shomof, CEO  
Date signed: \_\_\_\_\_

**FRANCHISEE:**  
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a \_\_\_\_\_

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Date signed: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

**NORTH DAKOTA**

Item 17(c) Disclosure Document, Section 1.2 of the Franchise Agreement requiring you to sign a general release upon renewal of the franchise may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Item 17(i) of the Disclosure Document requiring you to consent to termination or liquidated damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Item 17(r) of the Disclosure Document restricting competition are generally considered unenforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Item 17(u) of the Franchise Disclosure Document requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law. The site of arbitration or mediation must be agreeable to all parties.

Item 17(w) of the Franchise Disclosure Document and Section 18.06 of the Franchise relating to choice of law, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Item 17 of the Franchise Disclosure Document and Section 18.16 of the Franchise Agreement requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and is amended accordingly to the extent required by law.

Item 17 of the Franchise Disclosure Document requiring the franchisee to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Item 17 of the Franchise Disclosure Document requiring the franchisee to consent to a limitation of claims within one year may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Section 18.16 of the Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by the franchisor in enforcing the agreement, which may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law. The prevailing party in any enforcement action is entitled to recover costs and expenses including attorney’s fees.

No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

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By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

**OHIO**

**Sec. 1334.05-CANCELLATION**

In addition to any right otherwise to revoke an offer, a purchaser has the right to cancel an agreement selling or leasing to him a business opportunity plan until midnight of the fifth business day after the day on which the purchaser signs the agreement. Cancellation is evidenced by the purchaser giving written notice of cancellation to the seller at the address stated in the agreement. The purchaser may deliver the notice by mail, telegram, manual delivery or other personal delivery.

**Sec. 1334.13. [Compliance with FTC Rule; FDD]**

Franchisor claims exemption from the Ohio Business Opportunity Statues as provided by:

Except for Division (H) of Section 133.03 and Section 1334.04 of the Revised Code, Sections 1334.01 to 1334.15 of the Revised Code does not apply to:

(A) Any transaction that complies in all material respects with the trade regulation rule of the federal trade commission, "disclosure requirements and prohibitions concerning franchising," 16 C.F.R. 436.1 et seq., as may be amended from time to time, that is in effect on the date of the transaction

(B) Any transaction that complies in all material respects with the trade regulation rule of the federal trade commission, "disclosure requirements and prohibitions concerning business opportunities," 16 C.F.R. 437.1 et seq., as may be amended from time to time, that is in effect on the date of the transaction.

No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise

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**RHODE ISLAND**

The Rhode Island Securities Division requires the following specific disclosures to be made to prospective Rhode Island franchisees:

§19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Act.”

No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise

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Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

**VIRGINIA**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document and Franchise Agreement for DL FRANCHISE GROUP LLC. for use in the Commonwealth of Virginia shall be amended as follows:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum and understands and consents to be bound by all of its terms.

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By: \_\_\_\_\_  
Eric Shomof, CEO  
Date signed: \_\_\_\_\_

By: \_\_\_\_\_  
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Date signed: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

**WASHINGTON**

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in Washington, in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator, to the extent required by Washington law.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by you shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the Franchise Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectible to the extent that they reflect our reasonable estimated or actual costs in effecting a transfer, to the extent required by Washington law.

No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum and understands and consents to be bound by all of its terms.

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Date signed: \_\_\_\_\_

**ACKNOWLEDGMENT:**

It is agreed that the applicable foregoing state law addendum, if any, supersedes any inconsistent portion of the Franchise Agreement, The Area Development Agreement and of the Franchise Disclosure Document dated June 15, 2023, but only to the extent they are then valid requirements of an applicable and enforceable state law, and for only so long as such state law remains in effect.

DATED \_\_\_\_\_

**FRANCHISOR:**

DL FRANCHISE GROUP LLC,  
a California limited liability company

By: \_\_\_\_\_  
Eric Shomof, CEO  
Date signed: \_\_\_\_\_

**FRANCHISEE:**

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# **EXHIBIT E**



**DL FRANCHISE GROUP LLC**

## **OPERATIONS MANUAL TABLE OF CONTENTS**

**EXHIBIT E**

**DL FRANCHISE GROUP LLC  
OPERATIONS MANUAL  
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June 15, 2023**



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**EXHIBIT F**

**DL FRANCHISE GROUP LLC**



**AREA DEVELOPMENT AGREEMENT**

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**EXHIBIT F**  
**DL FRANCHISE GROUP LLC.**  
**AREA DEVELOPMENT AGREEMENT**

This AREA DEVELOPMENT AGREEMENT (the “Agreement” ” or this “AD Agreement”) is made and entered into as of \_\_\_\_\_, 20\_\_ (the “Effective Date”), by and between DL FRANCHISE GROUP LLC., an California limited liability company, having its principal office at 724 S. Spring Street, #800, Los Angeles, California 90014 , US (the “Company”) and \_\_\_\_\_ (“Franchisee”), a \_\_\_\_\_ [state of organization and type of entity] with its principal office at \_\_\_\_\_ (“Franchisee”).

WITNESSETH:

WHEREAS, Franchisor is engaged in the business of franchising (“Outlets”) under the Marks and Systems as more fully described in DL FRANCHISE GROUP LLC. Franchise Agreement, the current form of which is signed contemporaneously with this AD Agreement and which may be amended from time to time (“Franchise Agreement”); and

WHEREAS, Franchisee is aware of the benefit derived from being identified with and franchised by Franchisor in order to use the Marks and System as more fully described in the Franchise Agreement; -and

WHEREAS, Franchisee has simultaneously executed a Franchise Agreement pertaining to the first DL FRANCHISE GROUP LLC. Franchised Outlet, which Franchisee agrees to open or have opened within the time specified in the Franchise Agreement; and

WHEREAS, Franchisee desires to obtain additional Outlets at a reduced Franchise Fee and agrees to establish and operate additional DL FRANCHISE GROUP LLC. Franchised Outlets (“subsequent Units”) according to a specific time schedule; and

NOW, THEREFORE, in consideration of the premises, the covenants contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is hereby mutually agreed as follows:

**I. DEVELOPMENT AREA FOR UNITS**

A. ADA Locations. In accordance with the terms and conditions in this Agreement, Franchisor grants to Franchisee and Franchisee accepts the option during the term of this Agreement, and within the general Development Area described on Attachment A to establish and operate The Dolly Llama Outlets (each referred to as a “Unit” and collectively referred to as the “Units”), at the Initial Franchise Fee or reduced Franchise Fee amount as described in Attachment A. So long as Franchisee is not in default under this Agreement or any other agreement with Franchisor or Franchisor’s Affiliates, Franchisor will honor the reduced amount for Units purchased after the Initial Unit.

If Franchisee fails to meet any of its obligations under this Agreement or if Franchisee breaches any other Agreement executed by Franchisee pursuant to this Agreement, Franchisor may terminate the term of this Agreement along with Franchisee’s right to develop, open and operate new Units at the reduced amount, but the termination of the term of this Agreement will not terminate any rights granted under the Franchise Agreements then in effect between Franchisee and Franchisor in which Franchisee is in compliance. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

B. The Rights Franchisor Retains Except as limited by Section I.A. above, Franchisor and its Affiliates retain all rights with respect to the System, Franchised Outlets, the Marks, the sale of similar or dissimilar products and services and any other activities Franchisor deems appropriate whenever and wherever Franchisor desires, including (1) the right to own or operate, or license others to own or operate The Dolly Llama outlets anywhere within or outside of Franchisee's General Area; (2) the right to operate or license others to operate similar businesses or any other businesses and services under trademarks or service marks other than the Marks in any location; both inside or outside of Franchisee's General Area; (3) the right to operate or license others to operate businesses that are not similar to The Dolly Llama outlets under the Marks in any location, both inside or outside of Franchisee's General Area; and (4) the right to offer any products or services (including the products and services Franchisee offers at Franchisee's Units) through other channels of distribution (including the Internet and other outlets) both inside or outside of Franchisee's General Area. Franchisor is not required to pay Franchisee any compensation or consideration if Franchisor exercises any of the rights specified in this Subsection (B).

## II. DEVELOPMENT OBLIGATIONS

A. ADA Schedule. Franchisee will construct, equip, open and operate the number of Units within each of the time periods described in Attachment A attached to this Agreement ("ADA Schedule"). Except as modified in Section V below, Franchisee must execute a then current form of the Franchise Agreement that Franchisor uses in the State in which the applicable Unit will be located within the time periods described in the ADA Schedule. Further, Franchisee must open each Unit within the time period described in the Franchise Agreement applicable to that Unit and in the ADA Schedule.

B. Force Majeure / Time of Essence. It is of material importance to Franchisor that Franchisee timely perform all obligations under this Agreement and the Franchise Agreement for each Unit subject to any cure rights herein or in any such Franchise Agreement. Should Franchisee be unable to meet the ADA Schedule solely as the result force majeure which includes strikes, material shortages, fires, floods, earthquakes, and other acts of God, or by force of law (including Franchisor's inability to deliver a Franchise Disclosure Document), and which Franchisee could not have avoided by the exercise of due diligence, the ADA Schedule will be extended by the amount of time during which such force majeure existed.

III. TERM. The term of this Agreement will start on the date this Agreement is signed by both parties and Franchisee has paid Franchisor the ADA Development Fee (As defined in Attachment A). Unless terminated earlier according to the terms of this Agreement, the term of this Agreement and all Area development rights granted in this Agreement will expire at the earlier of the date Franchisee signs the Franchise Agreement for the last Unit listed in the ADA Schedule or the expiration date listed on Attachment A. There is no right to renew this Agreement.

## IV. ADA DEVELOPMENT FEE ("ADA Fee")

In exchange for the rights granted under this Agreement, Franchisee will pay to Franchisor the ADA Development Fee and the Initial Franchise Fees listed on and in accordance with Attachment A of this Agreement. The portion of the ADA Fee attributable to each individual Unit will be credited against the Initial Franchise Fee due for each Unit under the Franchise Agreement applicable to such Unit.

Franchisee recognizes that Franchisor has incurred administrative and other expenses in relation to this Agreement, and that development opportunities have been lost or curtailed as a result of the

considerations granted in this Agreement. For this reason, no part of the ADA Development Fees are refundable, even if Franchisee fails to proceed with the development of Units under this Agreement.

## V. FRANCHISE AGREEMENT

A. Signing the Franchise Agreement. Franchisee will sign a Franchise Agreement for its first Unit and pay the applicable Initial Franchise Fee under that Franchise Agreement at the same time Franchisee signs this Agreement and pays the ADA Fee. Within the times specified in the ADA Schedule, Franchisee must execute a separate Franchise Agreement for each subsequent Unit and pay the balance of the appropriate Initial Franchise Fee shown on Attachment A. The Royalty Fee, and all other fees Franchisee owes under the Franchise Agreement Franchisee signs for each Unit will be the same as in Franchisor's standard form franchise agreement being offered as of the date of this Agreement in the State in which Franchisee's ADA Locations are located. In no event will Franchisee be required to sign a Franchise Agreement until such time as Franchisor has complied with any applicable waiting periods according to law.

B. Complying with the Franchise Agreement. After Franchisee signs a Franchise Agreement, it shall fully comply with all of the terms CONTAINED IN THE FRANCHISE AGREEMENT INCLUDING PAYING ALL OF THE FEES REQUIRED BY THAT FRANCHISE AGREEMENT IN A TIMELY MANNER. HOWEVER, FRANCHISEE DOES NOT OBTAIN ANY RIGHTS AS A FRANCHISEE FOR A PARTICULAR LOCATION UNTIL A FRANCHISE AGREEMENT IS SIGNED BY FRANCHISOR AND FRANCHISEE AND FRANCHISEE HAS PAID FRANCHISOR THE BALANCE OF THE INITIAL FRANCHISE FEE, IF ANY. Franchisee must submit all proposals for sites to Franchisor for Franchisor's consent. Franchisor has the right; in its absolute discretion, to withhold its consent to any site Franchisee proposes. Franchisor's consent to the site is no assurance of success.

C. Franchisor's Discretion. Franchisee acknowledges that all Units must be developed and operated according to Franchisor's standards. Franchisee agrees and recognizes that Franchisor may refuse to grant a Franchise Agreement for a subsequent Unit if Franchisor believes, in its reasonable judgment, that Franchisee does not have sufficient financial resources and other ability (including, but not limited to, experience, character, skill, aptitude, attitude, and business acumen sufficient to operate multiple locations) to properly develop and operate the proposed subsequent Unit. Franchisor may take into account, among other things, Franchisee's past performance and financial success of Franchisee's existing Units. In order to assist Franchisor in making such a determination, Franchisee must provide Franchisor, upon Franchisor's request, the financial and other information regarding Franchisee's existing Unit(s) and the proposed subsequent unit. Franchisor's approval, however, is not deemed to be a warranty of Franchisee's financial or other ability to develop and operate the proposed subsequent Unit(s).

D. Marks. Franchisee acknowledges that Franchisor is not granting Franchisee any right to use the Marks under this Agreement. Any rights Franchisee receives regarding the use of the Marks arises from the Franchise Agreement Franchisee signed or will sign and Franchisee may only use the Marks pursuant to the terms of that Franchise Agreement.

## VI. ASSIGNABILITY

A. By Franchisee. Franchisor has granted these development rights in reliance upon its perception of the individual and collective character, skill, attitude, and business and marketing

abilities of Franchisee, and/or Franchisee's owners. Therefore, there can be no transfer of any interest or benefit in this Agreement or in the transfer of a controlling interest of an entity Franchisee ("Transfer"), without Franchisor's prior written consent. Any consent by Franchisor will not operate as a consent to any future such Transfer, and no future such Transfer will be valid without Franchisor's prior written consent to that specific Transfer. Any attempted Transfer in violation of this paragraph is voidable at Franchisor's option. Franchisor will not unreasonably withhold its consent to such a Transfer, provided that the following conditions are satisfied:

- (a) Franchisee has substantially performed the obligations and duties under this Agreement and any other agreements between Franchisee and Franchisor;
- (b) Franchisee must pay Franchisor all amounts Franchisee owes to Franchisor and Franchisor's Affiliates under this Agreement and all other agreements between Franchisee and Franchisor;
- (c) Franchisee pays a non-refundable transfer fee to Franchisor in the amount of \$5,000 for each unopened Store;
- (d) Franchisee and, if Franchisee is an entity, all of its officers, directors, shareholders, members and managers (as well as guarantors under this Agreement) will execute a general release (in the form approved by Franchisor) of any and all claims which Franchisee has or may have against Franchisor and Franchisor's Affiliates and Franchisor's respective officers, directors, employees and agents arising out of the franchise relationship, to the extent permitted by applicable law;
- (e) The proposed transferee meets Franchisor's established standards (including experience, character, skill, aptitude, business ability and financial capability), is of good moral character, has a good credit rating and sufficient financial resources to operate the business;
- (f) The proposed transferee and/or the transferee's managers will successfully complete and pass the training course then in effect for Franchisor's franchisees, or otherwise demonstrate to Franchisor's satisfaction, sufficient ability to operate and manage the Units and perform the obligations of this Agreement;
- (g) The proposed transferee assumes all of Franchisee's obligations and liabilities (however, such assumption will not relieve Franchisee of any such obligations and liabilities); and,
- (h) The purchase price or terms of the sale are, in Franchisor's judgment, economically feasible to the proposed transferee (however, Franchisor's approval is no assurance that the sale is on economically reasonable terms).

B. By Franchisor. This Agreement is fully assignable, in whole or in part, by Franchisor, without Franchisee's consent. Upon Franchisor's assignment, Franchisor is relieved of all liability under this Agreement and all rights and obligations will accrue to Franchisor's successor or assignee.

## **VII. NO SUBFRANCHISING**

No Subfranchising. Franchisee will not offer, sell, or negotiate the sale of DL FRANCHISE GROUP LLC. Franchised Outlets to any third party, either in Franchisee's name or on Franchisor's behalf or otherwise subfranchise, share, divide or partition this Agreement, and nothing in this Agreement will be construed as granting Franchisee the right to do so.

## **VIII. DEFAULT AND TERMINATION**

A. Default by Franchisee. Upon written notice to Franchisee, Franchisor may terminate the term of this Agreement for cause, but without providing Franchisee an opportunity to cure, in the event of

any material breach of this Agreement by Franchisee. "Material Breach", as used in this Section VII, will include, among other things, the following:

- (a) Any attempt by Franchisee to sell, assign or Transfer in violation of the terms of this Agreement;
- (b) Franchisee's failure to execute a Franchise Agreement for any of the Units on the date set forth within the Unit Schedule set forth in Attachment A;
- (c) Franchisee's failure to open for service to the public any of the Units on the date set forth within the Unit Schedule set forth in Attachment A;
- (c) Franchisee's bankruptcy, insolvency or general assignment for the benefit of creditors;
- (d) Any material breach by Franchisee or Franchisee's Affiliate of any Franchise Agreement or other agreement between Franchisee or Franchisee's Affiliates and Franchisor or Franchisor's Affiliates which is not cured within the applicable cure period in that agreement; or
- (e) Franchisee or Franchisee's officers, directors or controlling owners commit or are convicted of a felony or crime of moral turpitude or fraud which Franchisor believes may adversely affect the System or goodwill associated with the Marks.

B. Rights on Termination, Expiration or Assignment. Upon expiration, assignment or termination, for any reason, of the term of this Agreement, all of Franchisee's rights hereunder will cease and any remaining rights Franchisee may have to open any subsequent Unit will cease. Franchisee or Franchisee's Affiliates will continue to operate existing Dolly Llama Outlets according to the signed Franchise Agreements between the Franchisee or Franchisee's Affiliates and the Franchisor, if such Franchise Agreements have not been terminated. A default and termination under this Agreement does not constitute a default and termination under any existing Franchise Agreement between the Franchisee or Franchisee Affiliates and the Franchisor.

## IX. MISCELLANEOUS

A. Notices. All written notices and reports permitted or required to be delivered by the provisions of this Agreement will be deemed so delivered (i) at the time delivered by hand; (ii) one (1) business day after being placed in the hands of a commercial courier service for next business day delivery, provided there is evidence of receipt; (iii) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid; or (iv) if sent by a facsimile transmission or electronic mail transmission on the day of receipt if delivered (as indicated by delivery confirmation of the sender) by 5:00 p.m. recipient's local time, or on the next following business day if delivered after 5:00 p.m. recipient's local time, in each case addressed to the party to be notified at the address, facsimile number or electronic mail address set forth herein unless and until a different address, facsimile number or electronic mail address has been designated by written notice to the other party.

B. Severability. If any provision of this Agreement is considered to be invalid or inoperative for any reason, that part will be deemed modified to the extent necessary to make it valid and operative, or if it cannot be modified, then severed, and the remainder of the Agreement will continue in effect as if the Agreement had been signed with the invalid portion modified or eliminated.

C. Non-Waiver. Neither party's waiver of a breach or default by the other, nor delay or failure to exercise any right upon breach or default, nor acceptance of any payment, will be deemed a waiver, nor will it impair rights for other breaches or defaults of the same or a different kind. The description of any breach or default in any notice will not prevent the assertion of other defaults or breaches. Franchisor may waive any one or more of the requirements imposed under this Agreement for the

benefit of any particular franchisee or any particular Unit, but the waiver in favor of any other franchisee or Unit will not prevent Franchisor from enforcing the requirements against Franchisee, all other franchisees and all other Units.

D. Remedies. The remedies available to Franchisor are non-exclusive and nothing stated in this Agreement will act to prevent Franchisor's pursuit of any other rights or remedies arising due to termination of this Agreement which may otherwise become available to Franchisor in law or equity.

E. Attorney's Fees. If Franchisor incurs attorneys' fees or other expenses in seeking enforcement of this Agreement, Franchisee will be required to reimburse Franchisor for Franchisor reasonable costs and expenses (including attorneys' fees

F. Approval and Guarantees of Shareholders, Partners or Members. If Franchisee is a corporation, partnership or limited liability company, all shareholders, partners or members (and their shareholders, partners or members, if they are an entity and all of their spouses) will guarantee each Franchise Agreement for a Unit.

G. Arbitration. Except as specifically provided under this Area Development Agreement, any dispute or claim relating to or arising out of this Agreement must be resolved exclusively in accordance with the arbitration provisions set forth in the Franchise Agreement signed contemporaneously by the parties.

H. Governing Law. Franchisee acknowledges that this Agreement was accepted in the State of California. Franchisee acknowledges that it has and will continue to develop a substantial and continuing relationship with Franchisor at Franchisor's principal offices in the County of [county], California, where Franchisor's decision-making authority is vested and franchise operations are conducted and supervised. Except to the extent that this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 (Lanham Act, 115 U.S.C. 1051), this Agreement will be governed, to the extent permissible, by the laws of the State of California without regard to principles of conflicts of law. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the ADA Locations is located outside of California and the provision would be enforceable under the laws of the State(s) in which the ADA Locations are located, then the provision in question (and only that provision) will be interpreted and construed under the laws of the State(s) where the ADA Locations are is located. If applicable law provides Franchisee with additional rights as to notices, opportunities to cure or otherwise than as are provided by this Agreement as to termination, renewal, transfers or otherwise, Franchisor shall comply with the requirements of such laws to the extent they exceed Franchisor's obligations under this Agreement.

I. Venue. Franchisor may institute any action arising out of or relating to this Agreement in any state or federal court of general jurisdiction County of [county] in the State of California, and Franchisee and each guarantor of this Agreement irrevocably submits to the jurisdiction of these courts and waive any objection to the application of California law or to the jurisdiction or venue in these California courts. If Franchisee institutes any action arising out of or relating to this Agreement, that action must be brought in the state or federal courts having jurisdiction over [county] County, State of California, and Franchisee irrevocably submits to the jurisdiction of such courts and waives any objection Franchisee may have to either the jurisdiction or venue of such court. If a state regulator requires an amendment to this Agreement, the amendment will be attached to this Agreement. Franchisor will not, however, be precluded from contesting the validity, enforceability, or applicability or such regulator's required amendment in any action relating to this Agreement or to

its rescission or termination. The parties hereto recognize, and any arbitrator or judge is affirmatively advised, that certain provisions of this Agreement describe Franchisor's right to take (or refrain from taking) certain actions in the exercise of Franchisor's business judgment based on Franchisor's assessment of the overall best interests of the System and/or franchise network. Where such discretion has been exercised, and is supported by Franchisor's business judgment, neither an arbitrator nor a judge shall substitute his or her judgment for the judgment so exercised by Franchisor.

J. Non-Liability of Franchisor's Affiliates. Franchisor is the only entity obligated to Franchisee under this Agreement. Franchisee may not look to any of Franchisor's officers, directors, stockholders, members, Affiliates or related companies, other business entities or individuals for performance of this Agreement.

K. Limitation of Legal Actions.

1. IN NO EVENT WILL FRANCHISOR BE LIABLE TO FRANCHISEE FOR PROSPECTIVE PROFITS OR FOR SPECIAL, PUNITIVE, INDIRECT OR CONSEQUENTIAL DAMAGES FOR ANY CONDUCT ARISING OUT OF THIS AGREEMENT OR FRANCHISOR'S RELATIONSHIP WITH FRANCHISEE.
2. THE PARTIES WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THEM RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP OF THE PARTIES.
3. ANY DISAGREEMENT BETWEEN FRANCHISEE (AND FRANCHISEE'S GUARANTORS AND OWNERS) AND FRANCHISOR (AND FRANCHISOR'S AFFILIATES AND OWNERS) WILL BE CONSIDERED UNIQUE AS TO ITS FACTS AND MUST NOT BE BROUGHT AS A CLASS ACTION AND FRANCHISEE (AND FRANCHISEE'S GUARANTORS AND OWNERS) WAIVE ANY RIGHT TO PROCEED AGAINST FRANCHISOR (AND FRANCHISOR'S AFFILIATES, OWNERS, MANAGERS, OFFICERS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS) BY WAY OF CLASS ACTION, OR BY WAY OF A MULTI-PLAINTIFF, CONSOLIDATED OR COLLECTIVE ACTION.
4. FRANCHISEE WILL BE BARRED FROM BRINGING ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR FRANCHISOR'S RELATIONSHIP WITH FRANCHISEE, UNLESS A JUDICIAL PROCEEDING IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH FRANCHISEE KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THAT CLAIM.

L. Receipt of the FDD. Franchisee acknowledges receipt of Franchisor's franchise disclosure document along with this Agreement, at least 14 days before Franchisee's execution of this Agreement or any payment by Franchisee to Franchisor. If any unilateral modifications have been made to this Agreement, Franchisee acknowledges that Franchisee has had at least 7 days to review all such modifications.

M. Construction of Language. The language of this Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires; if more than one party or person is referred to as

you, their obligations and liabilities will be joint and several. Headings are for reference purposes and do not control interpretation.

N. Entire Agreement. This Agreement, including all Attachments attached, constitutes the entire, full, and complete agreement between the parties concerning the subject matter hereof, and supersedes any and all prior agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations Franchisor made in the franchise disclosure document that was furnished to Franchisee in connection with Franchisor offer to grant Franchisee a franchise to develop the Units. No amendment or modification to this Agreement will be binding on either party unless written and fully executed. All capitalized terms not defined herein shall have the meaning ascribed to such terms in the Franchise Agreement attached hereto.

## **X. INDEPENDENT CONTRACTOR / INDEMNIFICATION**

A. Independent Contractor. Franchisor and Franchisee are independent contractors, and no partnership, fiduciary, joint venture, or employment relationship exists between Franchisor and Franchisee. Franchisee will conspicuously identify itself in all dealings with the public as an independently owned business. Neither Franchisor nor Franchisee will make any agreements or representations in the name of or on behalf of the other party that their relationship is other than franchisor and franchisee.

B. Indemnification. Under no circumstances will Franchisor be liable for any act, omission, debt, or other obligation of Franchisee. To the fullest extent permitted by law, Franchisee (for itself and its employees, agents, subcontractors, successors and assigns) agrees, at Franchisee's sole cost and expense, to indemnify, defend and hold harmless, and to reimburse on demand Franchisor, and all entities related to Franchisor and Franchisor's respective directors, officers, members, employees agents, managers, partners, attorneys, licensees, affiliates successors and assigns ("Indemnified Parties") for and against any and all damages, losses, liabilities, bodily injury, property damage, obligations, penalties, fines, claims, litigation, demands, defenses, judgments, suit, proceedings, administrative orders, consent agreements, costs, disbursements or expenses of any kind or any nature whatsoever, including without limitation, reasonable attorneys' and expert fees and disbursements arising out of or related to or in any way arising out of the acts or omissions of Franchisee or Franchisee's employees, agents, officers, directors, parents, subsidiaries, affiliates, successors and assigns ("Indemnitors") arising out of or related to (i) any act or omission, negligent or otherwise, of the Indemnitors or anyone directly or indirectly employed by them or anyone whose acts they may be liable relative to the business contemplated by this Agreement; (ii) any breach by the Indemnitors or any term or provision of this Agreement; and (iii) the cost, including, but not limited to reasonable attorney's fees, of enforcing this indemnification provision. The obligations of Indemnitors are joint and several.

This indemnification will not be construed to indemnify an Indemnified Party to the extent such indemnification is prohibited by law, including, an indemnification of any Indemnified Party from its own negligence, if prohibited by law. To the extent indemnification of any party hereunder would be prohibited by law, this provision will not apply to such party, but will continue to be effective as to all other parties with respect to whom indemnification is not prohibited by applicable law.

## **XI. REPRESENTATIONS AND ACKNOWLEDGMENTS / CAVEATS**

A. FRANCHISEE REPRESENTS TO FRANCHISOR THAT FRANCHISEE'S SIGNATURE ON AND PERFORMANCE OF THIS AGREEMENT DOES NOT VIOLATE OR CONSTITUTE A

BREACH OF THE TERMS OF ANY OTHER AGREEMENT OR COMMITMENT TO WHICH FRANCHISEE, FRANCHISEE'S GUARANTORS OR ANY OF FRANCHISEE 'S OR THEIR AFFILIATES ARE A PARTY.

B. FRANCHISEE HAS RECEIVED THE FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY THE FEDERAL TRADE COMMISSION WITH APPLICABLE EXHIBITS AT LEAST FOURTEEN (14) CALENDAR DAYS BEFORE THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED AND HAS RECEIVED A COPY OF THE COMPLETE DOLLY LLAMA FRANCHISE AGREEMENT AT LEAST SEVEN (7) CALENDAR DAYS BEFORE THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED

C. UNDER APPLICABLE U.S. LAW, INCLUDING WITHOUT LIMITATION EXECUTIVE ORDER 1224, SIGNED ON SEPTEMBER 23, 2001 (THE "ORDER"), FRANCHISOR IS PROHIBITED FROM ENGAGING IN ANY TRANSACTION WITH ANY PERSON ENGAGED IN, OR WITH A PERSON AIDING ANY PERSON ENGAGED IN, ACTS OF TERRORISM AS DEFINED IN THE ORDER. ACCORDINGLY, FRANCHISEE DOES NOT AND HEREAFTER WILL NOT, ENGAGE IN ANY TERRORIST ACTIVITY. IN ADDITION, FRANCHISEE IS NOT AFFILIATED WITH AND DOES NOT SUPPORT ANY INDIVIDUAL OR ENTITY ENGAGED IN, CONTEMPLATING, OR SUPPORTING TERRORIST ACTIVITY.

D. FRANCHISEE REPRESENTS TO FRANCHISOR THAT ALL INFORMATION SET FORTH IN ANY AND ALL APPLICATIONS, FINANCIAL STATEMENTS AND SUBMISSIONS TO FRANCHISOR ARE AND WILL BE TRUE, COMPLETE AND ACCURATE IN ALL RESPECTS, AND FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR IS RELYING UPON THE TRUTHFULNESS, COMPLETENESS AND ACCURACY OF SUCH INFORMATION IN BOTH AWARDING AND CONTINUING THE RIGHTS GRANTED TO FRANCHISEE BY THIS AGREEMENT.

**FRANCHISOR:**  
DL FRANCHISE GROUP LLC,  
a California limited liability company

By: \_\_\_\_\_  
Eric Shomof, CEO  
Date signed: \_\_\_\_\_

**FRANCHISEE:**  
\_\_\_\_\_  
a \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

## ATTACHMENT A

### ADA LOCATIONS, ADA FEE, ADA SCHEDULE AND EXPIRATION DATE

**Development Area:** Your Development Area is generally described as \_\_\_\_\_

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**Unit Locations:** The specific location and the respective Designated Territory, if any, for each Unit will be addressed in accordance with each individual Franchise Agreement; however, please indicate your desired, non-binding, general location for each Unit:

Unit #		Unit #	
1		4	
2		5	
3		6	

**ADA Fees:**

Development Package	Initial Franchise Fee	Development Fee Due on Signing	Application of Development Fee Credit	Balance of Initial Franchise Owed
<b>2 Dolly Llama Shops</b>	Shop 1: \$30,000 Shop 2: \$20,000	\$40,000	Shop 1: \$30,000 Shop 2: \$10,000	Shop 1: None Shop 2: \$10,000
<b>4 Dolly Llama Shops</b>	Shop 1: \$30,000 Shop 2: \$20,000 Shop 3: \$ 5,000 Shop 4: \$ 5,000	\$40,000	Shop 1: \$30,000 Shop 2: \$10,000 Shop 3: None Shop 4: None	Shop 1: None Shop 2: \$10,000 Shop 3: \$ 5,000 Shop 4: \$ 5,000
<b>6 Dolly Llama Shops</b>	Shop 1: \$30,000 Shop 2: \$20,000 Shop 3: \$20,000 Shop 4: \$10,000 Shop 5: \$ 5,000 Shop 6: \$ 5,000	\$60,000	Shop 1: \$30,000 Shop 2: \$20,000 Shop 3: \$10,000 Shop 4: None Shop 5: None Shop 6: None	Shop 1: None Shop 2: None Shop 3: \$10,000 Shop 4: \$10,000 Shop 5: \$ 5,000 Shop 6: \$ 5,000

**ADA Schedule:**

The initial Dolly Llama Shop shall be opened to the serve the public within 12 months after signing the first Franchise Agreement. Subsequent Dolly Llama Shops shall be opened to serve the public each 12 months thereafter.

**Expiration Date:** The expiration date of this Agreement shall be the stated execution date of the Franchise Agreement for Franchisee’s last Unit shown above.

**FRANCHISOR:**  
DL FRANCHISE GROUP LLC,  
a California limited liability company

By: \_\_\_\_\_  
Eric Shomof, CEO  
Date signed: \_\_\_\_\_

**FRANCHISEE:**  
\_\_\_\_\_  
a \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date signed: \_\_\_\_\_

## EXHIBIT G

### DL FRANCHISE GROUP LLC

#### STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the followings states where the document is filed, registered or exempt from registration, as of the Effective Date stated below.

STATE	EFFECTIVE DATE	AMENDMENT DATE
California	July 24, 2023	
Hawaii		
Illinois		
Indiana		
Maryland		
Michigan		
Minnesota		
New York	Pending	
North Dakota		
Rhode Island		
South Dakota		
Virginia		
Washington		
Wisconsin		

Other states may require registration, filing or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

## RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If DL FRANCHISE GROUP LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

In the States of New York and Rhode Island, the delivery of the Disclosure Document is to be received at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration to us or an affiliate in connection with the proposed franchise sale.

Michigan requires the delivery of the Disclosure Document at least 10 business days before the execution of the franchise or other agreement, or the payment of any consideration, whichever comes first.

If DL FRANCHISE GROUP LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commissioner, Washington, D.C. 20580 and the state agency listed in Exhibit D for your state.

Date of Issuance: June 15, 2023

The franchise seller for this offering is Eric Shomof, CEO, (213) 300-3801, at DL FRANCHISE GROUP LLC, 724 S. Spring Street #801, Los Angeles, California 90014

See Exhibit D for our registered agents authorized to receive service of process.

I have received a disclosure document dated June 15, 2023, that included the following Exhibits:

- A Financial Statements
  - B Franchise Agreement
  - C State Administrators and Agents for Service of Process
  - D Multi State Addendum to the Franchise Disclosure Document, Franchise Agreement and Area Development Agreement
  - E Operations Manual Table of Contents
  - F Area Development Agreement
  - G. State Effective Dates
- Last Page - Receipt

PROSPECTIVE FRANCHISEE:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Date Signed)

Please sign this copy of the receipt, date your signature, and retain it for your records.

## RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If DL FRANCHISE GROUP LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

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If DL FRANCHISE GROUP LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commissioner, Washington, D.C. 20580 and the state agency listed in Exhibit D for your state.

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  - D Multi State Addendum to the Franchise Disclosure Document, Franchise Agreement and Area Development Agreement
  - E Operations Manual Table of Contents
  - F Area Development Agreement
  - G. State Effective Dates
- Last Page - Receipt

PROSPECTIVE FRANCHISEE:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Date Signed)

Please sign this copy of the receipt, date your signature, and return it to DL FRANCHISE GROUP LLC.